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FOR PUBLIC ADMINISTRATION

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*the Science, Processes, and Art of Public Administration*

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# Public Administration Review

THE JOURNAL OF THE AMERICAN SOCIETY FOR PUBLIC ADMINISTRATION

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# The Executive Budget, Empire State Style

By FREDERICK C. MOSHER

Associate Professor of Political Science  
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ON January 21, 1952, President Truman transmitted to the Congress his *Budget* for fiscal 1953. The next week, Governor Dewey sent to the State Legislature his *Executive Budget* for 1953, his tenth annual budget. Both budgets were record-breakers: Truman's, the largest peacetime budget in our national history; Dewey's the first New York State budget of over a billion dollars. They are alike in other respects. Both are voluminous documents of words and figures which relatively few people will ever see and which, it is safe to predict, no one will voluntarily read in entirety. Both are the product of months of administrative planning, negotiation, decision-making, and tedious bookkeeping. Both represent comprehensive programs of government activity, well summarized in the executive messages which accompany them.

But the similarities do not extend to the legislative handling of the budgets. The New York Senate and Assembly completed their brief review of the budget and passed all the regular appropriation bills on February 25 and 26, less than one month after they had received the budget and more than one month before April 1 when the new fiscal year began. They had listened, in a public hearing, to criticisms and appeals of representatives of interest groups and of cities, including the mayor of New York City who urged greater state aid and tax authority for his city. In accordance with established precedent, they adopted the Governor's budget exactly as they received it with the exception of some minor additions for the Legislature and the Judiciary.

As this is written, the annual budget storm in Washington is in full force and will no doubt continue into the summer. Under the stimulus of national political conventions,

Congress may complete its appropriations by July 1, the beginning of the federal fiscal year; if so, this will be a considerable achievement in comparison with recent experience. The features of the congressional appropriating process are familiar: weeks of hearings in executive session; reams of documents; hours of testimony by belabored bureaucrats; public attacks on extravagance and high taxes (as in Albany); unpublicized argument, even acrimony, on matters of fine administrative detail. The end product may well be a series of appropriation bills not far different, *in toto*, from the President's proposal. But they will probably include a good many internal changes and an abundance of written and unwritten instructions and stipulations. Some programs and offices will probably be mutilated in the process.

The contrasts in legislative behavior between the nation and the state illustrate fundamental differences in the role of budgeting in the two jurisdictions. These differences are the more striking because of the apparent similarities of the two. Both budget systems are outgrowths of the same ideology, the same movement, to a considerable degree the efforts of the same men. They developed at near the same stage in history under the impetus of similar problems and influences. The organization for budgeting and much of the procedure suggest imitation of one by the other.

In both governments, budgeting has assumed a role of major importance, and each is highly developed in relation to financial practices in the country as a whole. Yet each has cast the system and the techniques of the executive budget in its own mold. The executive budget has had a great influence upon the governments both of the United States and of

New York State, but they have also had their influence upon the executive budget. The products of these marriages are perhaps of the same genus, but they are certainly different species.

The paragraphs that follow undertake to sketch the principal features of budgeting in New York State and to identify the factors in law, in history and tradition, and in political and social environment which have given them their present shape. Emphasis is laid upon those features which seem most significant in comparison with federal experience and practice.<sup>1</sup> Any direct comparisons between the two should be made with full allowance for two basically limiting factors. First, a budget system is but one interlocking part of a total governmental complex, reflecting and contributing to more general and underlying characteristics.

Second, a state is obviously not the nation. They differ fundamentally in role, scope, and setting. New York's budget does not match the federal in size, complexity, and controversy. But there are enough similarities to provide a basis for comparison: similarities in the basic structure and philosophy of government; in the two-party political system; in social and economic environment; in the steadily increasing demands for extending governmental activities and services. Most of New York's substantive problems over the last two decades have been counterparts of national problems. If we except federal revenues and expendi-

tures for national defense and foreign affairs—a mighty exception—the state budget is probably as important to the people of New York as is the federal, and its provisions are potentially as controversial.

### *Budgetary Practice*

*Organization for Budgeting.* Preparation and execution of the budget are executive functions carried on by administrative agencies under direction of the Governor. The Legislature is a reviewing and authorizing agency. The state comptroller, who is elected at the same time and usually is of the same party as the Governor, has the duty, among many others, of preauditing expenditures.

The organizational focus of the budget process is the Division of the Budget, which is part of the Executive Department. This department, headed by the Governor, also contains certain other units of a staff and operating type. The Governor appoints the director of the budget without confirmation and may remove him at pleasure. This officer and his staff supervise the budget-making process, draft the budget message, put the budget document together, and exercise the principal discretionary controls in budget execution. A small administrative management unit carries on studies for the improvement of organization and methods, and a research unit estimates revenues and conducts fiscal and statistical studies. As in the federal government, each of the departments has the primary initiative in preparation of its own estimates and in their detailed execution, and each has focused in a single officer the coordinating responsibility for budget administration.

*Budgetary Process.* The bureaus and divisions make initial estimates in June and July on forms prescribed by the Budget Division. These estimates reach the departmental budget offices about the middle of July. Following a period of departmental analysis, budget conferences, and decisions, the departmental budget requests are submitted to the Budget Division by October 1. Examiners of the Budget Division, specialized into groups covering related areas of the state administration, analyze and review the estimates in detail and then conduct informal hearings with

<sup>1</sup>Explicit references to federal practice are minimized in the discussion, partly because its salient characteristics are well documented elsewhere and are familiar to most readers. Some of those most pertinent to the theme of this article are: (1) the counterplay in the executive branch between the centrifugal forces at bureau and division levels and the integrating forces at departmental and presidential levels; (2) the functional as well as sectional specialization within Congress and its appropriation subcommittees; (3) the use of the budget process by congressional subcommittees as a tool for continuing oversight of administration; (4) the organizational and functional structure of appropriation bills and the use of relatively large lump-sum appropriations; (5) the current trend toward performance budgeting with its emphasis on activity classifications and justifications, cost data and accounts, and management improvement; and (6) the varied roles of the Bureau of the Budget, the Treasury Department, the General Accounting Office, and the Council of Economic Advisers.

representatives of the departments. During the last two weeks of November, the budget director, on behalf of the Governor, conducts formal, but not public, hearings on the budget of each department. These hearings are attended by the top officials of the department and by representatives of the financial committees of both houses of the Legislature.

The Budget Division makes its final determinations following these hearings. Major policy matters and items of dispute are discussed with the financial committee chairmen and the Governor. The Budget Division draws up the estimates of revenue, although it also utilizes the findings and calculations of the Research and Statistics Bureau of the Department of Taxation and Finance. Estimates for the Legislature and the Judiciary are received and included in the budget without executive review. These estimates are, however, subject to the Governor's veto power after passage.

The culmination of the budget-making process is the Governor's transmission to the Legislature, late in January, of the budget, accompanied by a message and supporting appropriation bills. Governor Dewey customarily precedes transmission with three sessions of his "budget school." At the first, held at the executive mansion, the Governor and his budget director go over the budget message sentence by sentence and table by table with the Albany corps of the press, and answer correspondents' questions. The next day, the same procedure is followed with the editors of newspapers published in the state, who have been invited to luncheon at the mansion. The third session is a similar review at the State Capitol with all the majority party legislators of both houses. This session, held on the third and last day of the "school," coincides with the public release of the budget.

Under the State Constitution, the Legislature must act upon the Governor's budgetary proposals before other appropriations can be adopted. The budget is therefore the first order of business of the Senate Committee on Finance and the Assembly Committee on Ways and Means. These committees hold a joint public hearing, usually lasting one day, during which individual citizens and spokesmen for private interests and for cities appear in behalf

of lower taxes or of higher appropriations for particular purposes. The budget director usually attends the hearings, but representatives of the administration do not participate. In recent years, at least, neither the hearings nor the committee review has visibly affected the regular appropriation bills. Except for the supplemental budget, which is acted upon near the end of the legislative session, and special appropriation bills, all the appropriations are considered on the same day in one house and usually on the following day in the other. The minority party offers criticisms and amendments largely for the record; they are defeated by a party vote. The bills themselves are then adopted, often by a unanimous or near-unanimous majority.<sup>2</sup>

*The Budget Document.* New York's budget is almost as imposing as its national counterpart, and it is, if anything, less intelligible to the nonprofessional reader. This year it consists of two printed volumes totaling more than 1,600 pages plus a 76-page appendix. With the exception of the Governor's message, which leads off Volume I, it is obviously not intended for popular reading. The remainder of Volume I consists largely of detailed listings of positions, titles, grades, and salaries and of other items and sums of current and proposed appropriations. Each section starts with a terse explanation of changes in items, but there is almost no information as to purpose, use, or program.

Volume II contains the recommended budget bills, which are largely a repetition of Volume I without the supporting information. The regular budget bills are (1) regular personal service and maintenance and operation, containing appropriations for current operations of the departments and state agencies, largely in itemized detail; (2) legislative and judicial; (3) state debt service; (4) capital outlay, containing appropriations from the capital construction fund for all projects for construction, reconstruction, and improvements; (5) local assistance, containing appropriations for all payments and contributions to local

<sup>2</sup> A notable recent exception, but the only one, to the legislative procedure described here occurred in 1949 when an insurgent group of Republican legislators forced some modifications in the budget. This incident is described later.

government units (though only twenty pages in length, this bill includes about 57 per cent of all budgeted expenditures); and (6) regular deficiency, containing appropriations immediately available for deficiencies in the current year. Volume II also includes the proposed texts of amendments to the state finance and tax laws and other continuing legislation in accordance with the Governor's budgetary proposals. An appendix consists of an analysis of the capital construction fund.

Several elements of the New York budget merit comment. First, revenues are built into the document as well as into the process, and are as integral to both as are expenditures. The Governor's message is a complete financial statement and plan on both sides of the ledger, and his revenue proposals are embodied in proposed legislation along with appropriations.

Second, New York's budget, though relatively inclusive in comparison with many other states, omits several hundred million dollars of non-general-fund expenditures and revenues, largest of which are the transactions of the insurance and benefit funds and federal grants-in-aid.

Third, the capital construction fund, created in 1944 as the postwar reconstruction fund to store up wartime surpluses for postwar capital outlays, has become an important mechanism to assure effective planning and control of all state construction and improvements. This fund, supported by appropriations from the general fund, may not be expended except by further appropriations for particular projects. The director of the budget has statutory authority to correlate capital requirements among departments, to allocate appropriated funds, not only for approved projects but also for the preparation of plans for projects, and to transfer funds in certain cases among projects. This tight control over capital projects is significant because capital items are now the principal elements of the state budget in which there is much flexibility or discretion, and because they have in the past been considered a major source of fiscal abuse and extravagance.

Fourth, as a product of the Moore Plan,<sup>3</sup> the general fund is divided into two sub-funds, the local assistance fund and the state purposes fund, each of which is backed by a tax stabilization fund. To each is allocated a percentage of state revenues, fixed annually, and the appropriations from each are estimated, presented, and adopted separately. This practice makes clear the relative weights in the total financial picture of grants to local units and direct state expenditures, but obscures the amounts to be spent over-all for different purposes and functions.

Finally, the budget document reveals little about program or performance, and provides no basis for evaluating the relative utility or effectiveness of past or requested appropriations. The budget and its accompanying bills are primarily vehicles for legal authority and for built-in financial control of expenditures. Though much of the budget is constructed on the strength of program plans and justifications, this information is available only to those on the "inside"—members of the administrative family and the leaders and staff of the legislative financial committees. The budget itself serves to strengthen the hand of the executive and to inhibit effective outside appraisal and criticism.

*Budgetary Control.* One of the effects of detailed itemization of appropriations, indeed a major purpose, is to limit discretion in the execution of the budget. New York's appropriations for personal services present a rigid barrier to manipulation. Nonetheless, there is a considerable degree of flexibility in the system, and, significantly, almost all of it hinges on decisions of the director of the budget.

Most important of the discretionary areas are the very substantial amounts of appropriations which are in fact made in lump sum. These include a large proportion of the activities over which discretion can be most effectively applied—capital projects, new programs,

<sup>3</sup> Adopted in 1946, following the recommendations of the Commission on Municipal Revenues and Reduction of Real Estate Taxes, which was headed by Comptroller Frank C. Moore, now Lieutenant Governor. The plan overhauled state-local relationships with respect to taxes and grants. Its most unusual element is the provision of flat per capita grants to local units without specification as to purposes of their expenditure.



programs with variable workloads, units being reorganized. The general rule applicable to such appropriations is that no moneys may be spent until a detailed plan of segregation has been made and approved by the director of the budget, copies being sent to the legislative financial committees. In some cases, the director of the budget requires that such schedules include a time-allotment pattern. Moneys available from other than appropriated sources, including federal grants-in-aid, must similarly be segregated and approved by the budget director before expenditures may be made.

The budget director likewise has power to review certain kinds of transfers among itemized appropriations within departments. These include transfers among items of maintenance and operation; transfers from one position to another of no higher salary; transfers among capital projects; transfers among parks and among institutions; and others. He can earmark positions of doubtful necessity and forbid their being refilled when the incumbents separate. He has a final review of proposed position reclassifications in the state service, after they have been approved by the director of classification and compensation in the Civil Service Department. His research unit carries on continuous studies of expenditures and revenues during the course of the budget year in order that trends may be known, problems anticipated, and adjustments made.

*The Total Picture.* Thus, in budget preparation and execution all roads lead to the Governor's administrative right arm, the director of the budget. When the budget director and a department head cannot resolve an important issue, they may carry it to the Governor for decision. Usually they go together. The strength of the present budget director, T. N. Hurd, as of his predecessor, John E. Burton, derives largely from this procedure and the general impression that the Governor will "back up" his budget director in case of dispute.

Crucial political questions arising in the budget, as well as in other proposed legislation, are decided by the Governor in consultation with his unofficial council, sometimes dubbed the "kitchen cabinet." This informal

group includes the Governor, his immediate assistants, the director of the budget, the majority leaders of the legislature, and the chairmen of the two legislative financial committees. The group meets at the executive mansion usually on alternate Sunday evenings—and sometimes far into the night—throughout the legislative session. It does not undertake a systematic review of the whole budget, but it does discuss those features about which there is political sensitivity or legislative concern. The "kitchen cabinet" endeavors to operate on the basis of consensus, and there is thus a certain amount of give-and-take and compromise between the executive and the legislative.

The extent of influence of the legislative leaders upon the budget is difficult to assess. Indubitably it has sometimes been great. But one thing is certain in the current administration: the basic decisions are made before the budget officially reaches the Legislature. Only one of Governor Dewey's ten annual budgets has been amended in any substantial way after it was transmitted, and that change affected only the raising of revenue. It is an unequivocally executive budget. Inclusion of an item in the Governor's proposal is virtual assurance of its adoption; the principal hurdle for the departments is cleared when they are past the Division of the Budget.

#### *Background for Budgeting*

THE present high degree of system and discipline seems the more remarkable in the light of the confused condition which it succeeded. Until 1915, New York State had the familiar disorganized administrative structure typical of American states. Its many departments, bureaus, boards, and commissions each appealed directly to the Legislature for funds. The financial committees of the Legislature reviewed requests, cut them, and introduced appropriation bills in the congested closing days of the legislative session. Individual legislators introduced dozens of special appropriation bills for pet projects, many of which were passed and subsequently vetoed. The only official power of the Governor in the process was the veto. The harassed chairmen of the financial committees provided the only headship; there was no possibility of integrated planning,

coordination, correlation of revenues and expenditures, or adjustments after the bills were adopted.

As the activities and the costs of the government increased, this helter-skelter operation became more and more unworkable. New York's expenditures in 1914 were \$42 million, six times larger than they had been thirty years before. Already the state had experimented with various devices to cope with its fiscal problems, most of them relatively short lived and of doubtful effectiveness.

It is noteworthy that the office of Governor in New York State has long been a post of high prestige and political force. From the first, in 1777, it was an elective office, one of the few in early constitutions. In legal and administrative power the Governor was a weak figure, but as a leader of opinion, policy, and legislation his preeminence was established. The importance of the state in the nation and the size of its electoral vote contributed to the strength of the Governor and also to the frequent choice of relatively strong personalities to the post. New York Governors were already national figures and potential Presidents.<sup>4</sup>

*The 1915 Convention.* The principal landmark in the development of the state's modern constitutional framework was the Constitutional Convention of 1915. Although all the proposals of that assemblage were overwhelmingly defeated that year at the polls, most of them were later picked up and adopted piece by piece, largely under the forceful and skillful guidance of Governor Alfred E. Smith. The basic intent and effect of its most important proposals was to build the official position of the Governor to one of real administrative authority and responsibility. The principal measures to this end, and the dates of their final adoption, were: shortening of the ballot and making most of the state's top administrative positions appointive (1925); consolidation of some 152 executive agencies into a specific number of departments, now nineteen (1925); the executive budget (1927);

and the extension of the term of Governor from two to four years (1937).

The 1915 Convention provided the ideological fodder and stimulated the reformist fervor for most of the significant changes in New York State government in the next three decades. A Republican majority controlled the convention, though it was proposed by Democrats, and the majority group was led by a vigorous nucleus of "good government" reformers whose main governmental experience and reputation was in federal rather than in state government. The "Federal crowd," as they were dubbed, included such figures as Elihu Root, chairman of the convention, Henry L. Stimson, chairman of its finance committee, George W. Wickersham, John Lord O'Brian, and others. On the minority side, but supporting the substance of many key measures, were such Democrats as Al Smith and Robert Wagner.

The theory of the executive budget system had actually been developed during the preceding decade, largely under the leadership of the New York Bureau of Municipal Research and its director, Frederick A. Cleveland. Cleveland had served as chairman of President Taft's Commission on Economy and Efficiency, and had urged upon the President the executive budget which resulted in the abortive attempt at such a budget in 1912. For the New York Convention Commission, Cleveland led the Bureau staff in presentation of reports and recommendations emphasizing the need for executive authority and responsibility in the Governor, integration of agencies, and the executive budget.

The ideology of the executive budget has perhaps never been more forcefully expressed than by Stimson on the floor of the 1915 Convention. He viewed a good budget system as an antidote to "... the great problem of free republics, namely, the problem of checking extravagance. . . ." Drawing largely on federal examples, he stressed the necessity of making the Executive effectively responsible for budget preparation and restricting the initiatory powers of the Legislature. The main issues revolved on this point—the respective

<sup>4</sup>In the twelve presidential elections of the past fifty years, ten of the twenty-five major party candidates were, or had been, Governors of New York; in only three of these contests was a New York Governor not a nominee.

<sup>5</sup>Constitutional Convention of the State of New York, 1915, *Revised Record*, p. 1617.

roles of Executive and Legislature—and to some extent Stimson built and buttressed his argument on British budgetary foundations. He held the existing New York system to be an exact reversal of proper procedure: the Legislature was doing the executive job of making up the budget program; the Executive was doing the legislative job of reviewing and deciding on it through his veto. Positively, his reasoning rested on the need for uniting the responsibility for planning and budgeting programs with that for executing them, the need for concentrating ultimate administrative responsibility in one office, rather than a group, and the need for introducing businesslike methods and planning in government operations. Negatively, it strove to inhibit politically motivated extravagances of legislators under the pressure of local constituents.

The key to the entire debate was the question of restricting the power of the Legislature. Wagner, the only member of the Finance Committee to vote against its report to the Convention, disputed the allegation that increases in the cost of government resulted from legislative excesses. He pointed out that the major increases were a direct result of increasing services and programs, most of which were sponsored and put through by the Governors. To this day, one would have much difficulty in finding empirical evidence that executive budgeting reduced the cost of government. The New York State budgets have increased by more than one and one-half times in the last decade.

The Convention of 1915 adopted the budget amendment by a majority of 137 to 4. Apparently many delegates voting for it were not convinced, for they opposed it, or were silent about it, when it was presented for popular referendum. Its defeat by the voters was only the beginning of the battle. A Reconstruction Commission appointed by Governor Smith in 1919 to study the problem of reorganization reiterated the basic proposals of the convention, but during the 1920's the Legislature repeatedly defeated proposed constitutional amendments. In 1926, a new Reorganization Commission, headed by Charles Evans Hughes, proposed a partially modified version of the original budget amendment, which was finally

adopted at the polls the following year. The Constitutional Convention of 1938 changed the language of the budget provisions in some respects, but in substance the present basis for budgeting in New York is that proposed in 1915.

*The Budget in Operation.* From 1928 to 1940, the story of the executive budget is one of annual contests between a strong Democratic Governor and a Republican or mixed Legislature. Many of these disputes were settled by compromise or truce, but Governors Roosevelt<sup>6</sup> and Lehman staunchly refused to yield on any issue which they felt modified the principle of the system as they interpreted it.

The two most notable early struggles wound up in the state's highest court, the Court of Appeals. In his first budget under the new system in 1929, Governor Roosevelt included some lump-sum amounts for departments to be reorganized and for capital improvements. The Legislature voted the amounts but stipulated in the appropriation bills that the sums must be segregated and the segregations approved by the Governor and the chairmen of the two financial committees before expenditures were made. Roosevelt refused to approve the appropriations so modified, and a complete impasse was avoided only by agreement to submit to judicial decision. The Court of Appeals ruled unconstitutional the stipulation as to segregation of appropriations on a variety of arguments, all of which added up to an iron-clad version of the separation of powers doctrine.<sup>7</sup>

Ten years later, the Republican Legislature challenged Governor Lehman's budget by an almost reverse procedure. Lehman had submitted a budget of both lump sums and line items which the Legislature wanted to reduce. It consolidated some items into lump sums, rearranged and redefined items, and then made flat cuts. Again the issue was carried to

<sup>6</sup> Roosevelt's contribution to executive budgeting in New York is an interesting and consistent parallel with his actions at the federal level. A decade before he became Governor, as Assistant Secretary of the Navy, he testified forcefully in behalf of a federal budget system. A decade afterward, he signed Executive Order No. 8248 in 1939 which transferred the U.S. Bureau of the Budget to the Executive Office of the President.

<sup>7</sup> *People v. Tremaine*. 252 N.Y. 27 (October, 1929).

the courts, and again the Court of Appeals ruled that the Legislature was without authority for its action and that, in effect, it must act on the Governor's budget in the form submitted.<sup>8</sup>

Since this decision in 1939, there has been no serious challenge to the executive budget power. Governor Dewey's ten budgets have been changed hardly at all by formal legislative action. Only in 1949, following his 1948 defeat in the presidential election, did he have an open fight over his budget submittal. In that year, a group of conservative Republican members from Westchester and Erie counties rose in revolt and forced a compromise on the Governor and his legislative leaders. The attack was directed against the rising costs of state government and the accompanying tax increases proposed by the Governor. The issue was settled by an agreement to lower some of the tax rates below the Governor's proposal and to finance some grade-crossing eliminations by the issuance of bonds. The expenditure budget was not reduced at all.<sup>9</sup>

The principal trends under Dewey have been the improvement of executive techniques and the refining of the budget system as a whole. The Budget Division has grown in size and powers; the process of planning and review has been tightened, particularly for capital projects; the fiscal year has been changed; a new system of funds and tax stabilization reserves has been set up. With the struggle for the executive budget pretty definitely concluded, both the Legislature and the executive branch could concentrate on streamlining the process.

#### *The Force of Law*

**I**NNOVATIONS in Constitution and law have been the benchmarks of much of the development of the budget system in New York State. The fact that the elements of the system

<sup>8</sup> *People v. Tremaine*. 281 N.Y. 1 (June, 1939).

<sup>9</sup> A leader of this uprising was Senator Walter J. Mahoney of Buffalo. Very shortly after the compromise settlement was reached, he became chairman of the Senate Finance Committee, which office had become vacant. One of the outstanding legislative leaders in Albany, Senator Mahoney is now an important participant in the budget process and perhaps the leading figure in the legislative handling of the Governor's budget.

are spelled out in the Constitution is a potent psychological factor, above and beyond the specific provisions. The fact that the Governor can turn to the courts to prevent what he regards as legislative abuses is likewise significant. The contrast with the federal system in both respects is evident and probably important in explaining differences in operation.

*The Governor.* The legal authority of the Governor with respect to administration and the budget system rests largely on the constitutional amendments of 1925 and 1927. A variety of laws since that time has provided specific powers and machinery for the exercise of this authority.

But probably as important to his total position are constitutional provisions long antedating the budget system—the veto and, since 1874, the item veto. Every Governor uses the veto liberally, and apparently every Legislature expects him to. In the past twenty-five years, New York Governors have vetoed 7,503 of 28,740 bills, or about 26 per cent of all legislation passed.<sup>10</sup> In that period, resort to the veto has shown little relationship to partisan affiliation of Governor and Legislature. In fact, Governor Dewey, with unquestioned party control in both houses, set an all-time high in 1951 when he vetoed one-third of all the bills sent him.

The veto power has apparently had the double effect of making the Governor dominant over policy matters, including budget policy, and of encouraging the passing of bills with full anticipation that many of them will be vetoed. No Legislature has overridden the veto of a regular bill since 1872, and none has overridden an item veto since 1917. In fact, overriding is not even tried or considered—first, because overriding requires a two-thirds vote of the membership of each house, a nearly impossible majority in New York, and, second, because the great mass of bills are not passed until near the end of the legislative session. The Governor has thirty days after adjournment to consider such bills. Nine-tenths of his vetoes occur in this period, and they are of course final.

<sup>10</sup> Samuel R. Solomon, "The Governor as Legislator," 40 *National Municipal Review* 515-20 (November 1951). Most of the data about vetoes in these paragraphs are drawn from this illuminating article.

The veto of special laws and appropriations has been a major factor in protecting the Governor's financial plan. Governors Roosevelt and Lehman frequently vetoed items added to the Governor's budget bills, particularly in the early years of the new budget system, but Governor Dewey has employed it hardly at all for the simple reason that the Legislature has not amended his bills.

*The Legislature.* The intent of the constitutional budget amendments was to modify the role of the Legislature in three major ways: (1) to restrain it from the initiative in budget-making and from the passage of ill-considered appropriation bills; (2) to facilitate more intelligent and informed appraisal and review of the financial program; and (3) to assure that the budget bills would be carried out in accordance with legislative intent. The implementation of all three objectives has contributed to the reduction of legislative influence in the budget process as a whole and has enhanced the positions of, and concentrated legislative controls in, a small group of legislative leaders, notably the chairmen of the financial committees.

The restraints on legislative action are more procedural than substantive. Thus, the Legislature must complete its action on the Governor's budget before considering any other appropriation bills. It may pass all the special appropriation bills it wants, but each must be by a separate bill for a single object or purpose. It may reduce or eliminate, but not increase, any item in the Governor's budget bills, and it may add new items, subject of course to veto. Riders on appropriations are enjoined. Special bills persist, though not usually in very substantial amounts unless the Governor himself proposes or endorses them.

The Constitution includes two provisions designed to encourage more intelligent legislative review of the budget. One requires that copies of the original departmental budget requests submitted to the Governor shall "... forthwith be furnished to the appropriate committees of the legislature." The other provides that designated representatives of those committees "... shall be entitled to attend the [Governor's] hearings thereon and to make in-

quiry concerning any part thereof." (Art. VII, sec. 1)

In striking contrast, the policy of the United States Bureau of the Budget requires secrecy, so far as possible, about the departmental estimates and about the whole executive budget until the President himself releases it. The purpose of this policy is plain: to protect the authority and responsibility of the executive from legislative influence and interference during the budget-making process. With the centrifugal forces that are continuously at work in Washington, provisions like those in New York might reduce federal budget preparation to a shambles and provide a serious threat to the role of the Bureau of the Budget.

The effect in Albany has been quite different. The leaders of the financial committees are informed in advance, and are made aware of, and perhaps sympathetic to, the problems of the agencies. Their participation in the hearings in recent years has been largely passive except for the asking of occasional questions. They have opportunity to propose changes to the department heads, the budget director, and the Governor. When the official budget reaches them, they are in a good position to defend it and steer it through. A strong finance committee chairman can be a most active and influential force in the formation of the budget as well as in its passage. To an administration of opposing political color, such a chairman can be a persistent prodder and critic. He cannot, however, break down executive responsibility for the budget. In recent years, at least, his influence and whatever issues he may raise are not generally known to the public.

The authors of the system in the 1915 Convention placed heavy emphasis upon the need for interpellation of the Governor and the department heads by the legislative bodies. The Constitution today provides that the Governor and all department heads may appear voluntarily and be heard with respect to the budget; and the department heads must appear if requested by either house or either finance committee. The provision has proved ineffectual, however, despite occasional proposals to implement it, and appearances of department heads are a rarity.



The liaison between the finance committees and the administration has been furthered by statutory action. The budget director must send information copies of his approvals of lump-sum segregations to both committees. Similar procedures are required for other basic decisions in budget execution. Each committee has developed a permanent staff for continuing and special studies of administrative and financial operations.

*Itemization.* Detailed itemization of estimates and appropriations is a practice apparently intended to facilitate legislative review and to assure specific effectuation of legislative intent. The budget amendment proposed by the 1915 Convention stipulated that estimates and appropriations be "clearly itemized," although the intended meaning of the expression is still debatable. The budget amendment of 1927 modified the original proposal by making the "clearly itemized" expression apply only to estimates. The phrase was entirely removed from the Constitution following the Constitutional Convention of 1938.

Nonetheless, the question of itemization was discussed in both the 1929 and 1939 court cases. The opinion of 1939 held that the change in the wording of the Constitution did not change its meaning, itemization still being a requisite part of the system. But later in the same opinion, the court indicated the need for flexibility in interpreting what an item is. At one point in a rather confusing discourse, the court held items to be "... sufficient when they give information as to the necessities for or purposes of the expenditures." If this be the case, it would seem legally possible to convert the entire budget to a performance or program basis.

But the practice of itemization has deep roots, going back many years before the executive budget system was adopted, and in spite of occasional criticisms through the years there seems to be little disposition to change it. Actually, the appropriations are a mixture of line items and lump sums in varying degrees of specificity. The determination of form and structure of the budget bills is now clearly a function of the Governor, and there is evidence of considerable pressure for itemization from the administrative side. In his Message

to the Legislature, April 27, 1939, Governor Lehman said: "I do not know of any step that has been taken for many years that would be so destructive of good government as the scuttling of the line item budget." Governor Dewey, in his Budget Message for 1944-45, defending the use of lump sums for programs operating under changing conditions, added: "Once the necessity of a lump-sum appropriation has passed, however, I believe that line item budget detail should be re-established."

Some legislators apparently still regard itemization as their best protection against administrative abuse of legislative intent. Critics of the rising cost of government and of executive dictation are prone to urge the extension of itemization to the entire budget. Yet, it is almost impossible for a legislative body which considers a budget for a few weeks each year to appraise a line-item document, or to modify it. Not only would lump sums direct its attention to important issues which it could and should consider; they would also be much easier to change. This fact was demonstrated in 1939 when the Legislature, in order to cut Lehman's budget, found it necessary to rearrange major parts of it into lump sums. In practice, detailed itemization seems to prevent the intent of the Legislature from being expressed at all; it operates as an aid to executive dominance.<sup>11</sup>

#### *Politics, Discipline, and People*

THE character of New York's budget system cannot be entirely explained in terms of itemization, vetoes, laws, and traditions. Under present law the system could in fact operate in a much different way.

*The Parties.* Probably the most important factor today is summarized in the word discipline—party discipline and administrative dis-

<sup>11</sup> This point of view was apparently shared by the Joint Legislative Committee on State Fiscal Policies, a bi-partisan committee of legislators, chaired by Abbot Low Moffat, chairman of the Assembly Committee on Ways and Means. The *Report* 1938, which was apparently written by Moffat, recommended that "... appropriations for ordinary administrative expenses be by a system of lump-sum appropriations. ..." (p. 29) This *Report*, a remarkably comprehensive document, included among its ninety-odd recommendations many of the major financial innovations which have since been made.



cipline. The Governor's strength vis-a-vis his own party is far greater, relatively, than the President's. This strength is due to a number of factors: the high prestige of the office; the Governor's ability to go directly to the people, which he has never been reluctant to utilize; his national prominence, which links the welfare of the whole state party with his career; his control of state patronage which renders virtually every county machine dependent upon him; his power to grant or withhold favors to legislators; his nearly complete control over all the state administrative machinery; and the forcefulness and political leadership of the Governors and the progressiveness and popularity of the programs they have sponsored. In these last respects all four of the most recent Governors, whose terms cover a span of three decades, have been commanding figures.

It is not easy to explain the success of Democratic Governors operating with Republican-controlled Legislatures, a condition which was normal in New York in the two decades preceding Dewey's first election in 1942. During those years, the Republican leadership came to be wary of challenging the Governor on any important issue, partly because of the general popularity of the Governors and their programs. One reporter has stated that Democratic Governors Smith, Roosevelt, and Lehman all preferred working with Republican Legislatures. It is difficult to criticize a "friendly" Legislature, but the opposite party makes an easy target when it stands in the way of popular programs.<sup>12</sup> The Democratic Party was able to return a majority in all the statewide elections of the 1930's for Governor and President as well as in all the gubernatorial contests of the 1920's. Republican control of the Legislature was maintained in large part by virtue of a long standing constitutional restriction on representation from New York City and of rural and up-state biases in apportionment bills. Republican legislative behavior in the 1930's perhaps reflected the lack of an unambiguous majority backing at the polls and the recognition that the party's reputation and future might be jeopardized by

obstructive conduct. In any case, party discipline was effective, even when it meant going along with an opposition Governor.

*The Administration.* New York has a long history of civil service in the ranks and a high standard of professional competence in its policy-level positions. For the most part, department heads have been appointed in recognition of professional achievement rather than political backing or sectional representation. They owe their appointment and retention largely to the Governor, and their allegiance to him is generally strong. The Governor has sanctions which he may employ in the case of recalcitrance, not least of which is the budget. Although there are pockets of independence and occasional rebellion within the administration, on the whole the centrifugal forces are outweighed by the centripetal.

One of the most important of the centripetal forces is the Division of the Budget and the person of its director. This division has gradually built itself in size, scope, and power in its twenty-five-year history, in part as a result of the strength and ability of the budget directors and the backing given them by the Governors. These officers have assumed the role of business manager of the state—comparable to that defined by General Dawes thirty years ago for the position of federal budget director. Few major administrative decisions escape the notice of the budget director, and a great many require his approval.

The organization, staffing, and orientation of the division are in many ways similar to those of the federal Bureau of the Budget. If anything, the division is more interventionist and more confident in dealing with the departments. Its professional personnel are predominantly administrative and fiscal analysts, and the accent is rather on administrative efficiency and economy than on policy, politics, and strategy. A significant feature is the inclusion of a number of qualified engineers and architects for the planning and review of capital projects. Despite a fairly heavy emphasis upon fiscal aspects, the division has spearheaded the administration's vigorous programs toward the improvement of management generally. Its staff of about eighty is sizable in relation to the size of the budget.

<sup>12</sup> Warren Moscow, *Politics in the Empire State* (Alfred A. Knopf, 1948), pp. 168-69.

The evolution of the Budget Division is part of a larger movement in the state toward the centralization of administrative controls. The budgetary controls are complementary to the relatively detailed controls exercised in civil service, purchasing, and fiscal auditing, for example. Segregated appropriations are harmonious, though not inevitable, accompaniments to the centralized preaudit by the comptroller. A position budget meshes neatly with a central position and personnel control and with a fairly rigid classification and salary standardization scheme.

Behind all of these is a general character of stability of state administration and personnel. Change is gradual and ordered. The maturity of most of the departments, the relatively low turnover of personnel, and the slowness of promotions all contribute to a general pattern which has shaped the budget system for current administrative operations to a compatible image. Through its structure and its resistance to influences outside the administration, the budget reinforces the elements of continuity and security of organizations, going programs, and jobs.

#### Conclusion

It is interesting to recall that the early evangelists of the budget movement in the United States drew heavily upon the British model. New York State has come, in some ways, close to the model. It has effectively bridged the separation of powers, but the bridge, as also in England, is pretty much a one-way thoroughfare. The features of the New York system which stand out in comparison with federal budgeting are the unquestioned executive authority over the entire administration; the dominant position of the Executive in relation to the Legislature in the adoption and execution of the budget; the clear and crucial role of the Executive's staff budget unit and the high development of its

centralized controls vis-a-vis the departments.

The present position has been reached as a consequence of a variety of trends and forces, many of which were well under way before the budget machinery was installed. The more important elements include the prestige, policy initiative, political power, and administrative authority of the Governor; his veto power and the manner in which it was exercised; party discipline; the increasing scope and complexity of government activities, coupled with the inherent handicaps of a part-time, unspecialized legislative body in coping with them; and certain restraints of a procedural and mechanical nature upon legislative action, notably in the detailed itemization of appropriations and the handling of capital proposals.

New York budgeting is not particularly effective as a mechanism for public information, education, and debate. The relation between financial plan and working program is obscure if not completely invisible in the published budget. Nor is there adequate provision for holding the administration accountable *post facto* for its financial operations and its program accomplishments. But none can now complain of divided authority, nor need one use the touch system to place his finger upon responsibility. Whether the various administrations have been sufficiently responsive to the needs and wishes of the people is a matter of opinion on which observers will differ. But it is safe to say that the budgets and the programs embodied in them have been framed with a realization of political responsibility and an eye to future statewide elections.

In spite of structural rigidities, the system is efficient in the narrower sense of the term. It has unquestionably improved the planning and coordination of the administration. It produces explicit, accurate budgets without a jumble of deficiencies and supplementals; it produces them on time; and its programs are carried out.

# Security and the News

By ELMER DAVIS

*Writer and News Commentator*

**M**<sup>R.</sup> CHAIRMAN, Ladies, and Gentlemen: I fear that this introduction gives you the impression of a person who has been active in a variety of fields, perhaps a rolling stone which gathers no moss.

I sometimes used to wonder, since I have done a number of different things, what heading would be put over my obit, but now that I live in Washington I know how it will be headed, at least in the Washington newspapers: "D. C. man dies."

It is a great pleasure to address this audience, which includes many old friends from the days when I was in the government. Some of them are still there toiling in the vineyard. Some have passed over Jordan and gone to the happy hunting grounds of the Ford Foundation. There shall be no night there, neither any appropriations committees.

I must confess that up to a couple of days ago I was a little alarmed because Harold Stein, who put the bite on me, gave the impression that I was expected to speak about administration. I fear that this audience includes a number of people who are aware of the fact that administration was perhaps not the field in which my talents shone most brilliantly, but I am asked to talk about something else, "security and the news," a topic which I won't say is nonexistent, but which has been greatly exaggerated by the excitement of some of my colleagues in the news business ever since the President's security order of last year.

I can understand the reason for their feelings, but I have had opportunity to look at this thing from both sides, and I think their apprehensions are somewhat exaggerated. You remember that was the order which extended, to all departments and agencies that might be involved, the regulations about security of in-

formation and classification of documents which have long pertained in the State and Defense Departments. There was a perfectly good reason for that extension. With the expanding character of modern administration and with the immense variety of modern military affairs and their enmeshing with economic and diplomatic and other civilian affairs, it has come to pass that quite a number of other government departments do get hold of information which deserves classification in the interest of national security—not all by any means, and in some departments and some bureaus and not others. Still it was a good thing, in principle, to extend to all departments the doctrines of classification which have been in force for a long time in the State Department and in the Armed Services.

Nevertheless, there was a great uproar among the newspaper people around town which was not entirely without justification. Very fortunately for them justification came along just about two days after the uproar started in the form of an order issued in OPS which restricted information apparently for the benefit of the administrators to the extent of covering up mistakes or, at any rate, covering up some things that they thought the newspapermen should not know. This was taken as justification for the worst apprehension that was felt about the effects of the President's Executive order.

Well, there was some point in this uproar. I still think, however, that the apprehensions were exaggerated. Immediately a question was raised. Suppose somebody makes the wrong determination, shouldn't there be a court of appeals, such as there was during the war in the Office of Censorship? Somewhat belatedly such a court of appeals was established, made up of a selection of information officers and security officers from various departments—possibly

NOTE: Luncheon address at the annual conference of the American Society for Public Administration, March 8, 1952.

some of you here, I do not remember who are on that committee—the idea being obviously that the information officers should act as counsel for the plaintiffs, arguing that we should get out as much information as possible, the security officers would act as counsel for the defendant, saying, “Oh no, we can’t print that.” Somehow or other they would fight it out among themselves. I don’t know how that is working.

That is one of the arguments against this extension of the security order; namely, that if there is something there that you ought to find out which there is no valid reason for covering up but which is being covered up for an invalid reason, you do not even know what it is, you cannot get to it. Nevertheless, I think these apprehensions are overdrawn.

The Society of Newspaper Editors, you remember, appointed a committee which visited the President and talked to him about what they were worrying about and the President said, “I should like this thing to work as well as possible. If you people can suggest any improvements in it, I shall be glad to consider them.”

So they went back to the executive board of the Society of Newspaper Editors, which said, “Oh no, it is not our business to suggest improvements. That is the President’s business. Let him do something and then guess and see if it is what we want.”

I cannot regard that attitude, I must say, as very constructive; nevertheless, there was some reason, not nearly as much as they said, to be afraid that this might be mishandled, especially by civilian officials unfamiliar with classification of documents and unfamiliar perhaps with some basic principles of security, although I must say there has been an equal unfamiliarity in the Armed Services at various times.

One difficulty about it that you will see everywhere—this goes, I think, for the Services quite as much as for any civilian bureau, whether it has had long experience with security or not—is the incurable tendency to overclassification. Somebody takes a look at something. “Well, now, wait a minute, had we better say that?” If there is any doubt about it, they classify it. It starts being “restricted” and the first thing you know it becomes “confiden-

tial” and pretty soon it becomes “secret,” and so on.

When I first came into the government, taking over and endeavoring to amalgamate four preexisting agencies—a fusion which never was entirely satisfactorily completed—I found a lot of documents ready for my signature. I had to look at them and see what they were. One of them, to my surprise and alarm, was a threat of invoking the Espionage Act against a respectable publisher who had obtained and published a “secret” document of one of our preexisting agencies. That letter was not sent. I took a look at the document in question. It was something that deserved to be classified no higher than “restricted.” There was some reason for giving it that classification, but to call it “secret” was absurd, and to threaten a man with prosecution would have ended the career of our agency very rapidly if it ever had been done.

The difficulty is going to come largely on documents which are classified only as “restricted,” unless, of course, they are upgraded to a classification that they do not deserve. “Restricted” is technically supposed to be something which is classified only for reasons of administrative privacy. What does that mean? What does administrative privacy mean? Obviously, in some cases it is a quite valid classification for that reason alone. Suppose some agency, particularly an agency whose doings have a great deal to do with the day-to-day life and business of a great many citizens, such as OPA, or its successor OPS, or in the old days WPB, is considering a new policy. They haven’t made up their minds about it yet. There are arguments on both sides. It will greatly affect a great many people, whatever decision is made, and they do not want to announce it until they have made up their minds. What would be the best thing to do?

Anything bearing on that, any administrator would say, I am sure, could properly be classified as “restricted” for reasons of administrative privacy. If you get the argument out into the open, you cannot tell what will come out of it. You may be compelled to make the wrong decision under the pressure of the largest pressure group that is around town or over the country.

I am sure that practically all my colleagues in the newspaper business, unless they happened to have experience in government, will say that is the way it ought to be. If there are differences of opinion inside the agency, let them be exposed, let them be published, let the nation hear all about it and argue it out and then finally come to the decision. That involves the fundamental question as to whether you will have a government agency run by a trusted administrator or by town meeting. There is an argument on both sides. You can ask, "Why have an executive of this agency or that? We will let all the problems of the agency come before the public and then let's decide them by majority vote."

But I do not think you will get very good administration that way. You will have people constantly stirred up over extremely technical questions which, if the average citizen hasn't the inside knowledge of all the complicated background, is not the most competent way to decide the question. The best you can do is to pick an administrator who appears to be efficient and honest and trust his judgment. If he goes off too often, then fire him.

Very few men in the newspaper business in Washington would take that point of view. Most of them would say, "Let all the news come out and let them argue it out."

They have a point in the fact that this classification of "restricted" and all other classifications could cover up some things from a very wrong view of administrative privacy, they could cover up boners, they could cover up—I don't suppose you could come into the question of deliberate malfeasance in office—a lot of mistakes, and no doubt in some cases that has occurred, but I do not think that this question is as serious as a good many people in the news business think. I believe that most of the news does come out. Of course, it is perfectly true that there may be some things that you just do not know about, but I find it extremely difficult to believe that there is anything in the business of the United States government which remains secret if anybody cares enough about it to try to find out.

The basic objection to the President's security order—perhaps I should say the basic criticism, not objection—is merely that it attempts to put a padlock on a sieve. That is

what the United States government is with regard to security information—not everywhere, but pretty widely.

Take the great open leak—I was going to say the running sore, but that would be putting it a little too strongly—the continual leak from the congressional committees, which must have secret information sometimes in order to discharge their business adequately and which are apt to be extremely lax about guarding all the secrets that they get. They are better, I think, distinctly better, than they were four or five years ago. They were better, as a rule, in wartime. Then they were pretty good. They could see the responsibility there and the danger of leaking information. By now a good many of them have come to the point of realizing that in a situation of quasi-war you have to be a little more careful too.

There is one committee which has been practically beyond reproach from the first, and that perhaps is the most important one, the Joint Committee on Atomic Energy. I can think of only one leak in that committee, the leak by Senator Ed Johnson in breaking the news that we were going to make a hydrogen bomb, and I think that would have come out pretty soon anyway, because when you get appropriations on a large scale for undefined purposes and you build a new type of installation, plenty of people would be smart enough to guess it was going to be for a hydrogen bomb. So I do not think that Senator Johnson did much damage with that. That is the only case I can recall of any leakage whatever from the Committee on Atomic Energy.

Some of the rest are pretty good, some are not good at all. You remember last year two congressmen came out of a secret meeting of the House Armed Services Committee and told reporters exactly how many B-36's we had in operational condition at that time. The Kremlin could have afforded to pay a hundred thousand dollars, maybe half a million dollars, for that information. These fellows just gave it away to oblige reporters, to get themselves perhaps a little better standing in the minds of some of the gentlemen of the press. They would have been horrified at the idea that they get money for it, but they did the same amount of damage as if a spy had gotten that information and had been paid for it.



Nothing could be done to those gentlemen. Uncle Carl Vinson gave them a strong lecture and there have been no further leaks of consequence out of that committee. Suppose a professor had given that information away, the McCarran Committee would have been after him until they got him out of his job, got his pension away, and he jumped into the Chesapeake Bay. To a couple of members of Congress you cannot say anything but, "Tut tut. Don't do it again."

I do not want to create the impression that the legislative branch alone is guilty of some of these errors. In the last couple of days you have seen the story of a military attaché, who had been doing the high-grade and respectable spying which a military attaché has to do in a hostile country, carefully keeping a diary of everything he spied on and leaving it in his hotel room where counter-spies could photograph it, and it is now being used against us. There was a glaring gap in the Armed Services, but it about equates the performance we have lately seen in Congress where there were some gentlemen who thought it would be a good idea if we would subvert and infiltrate and endeavor to overturn the communist governments of Eastern Europe by secret operations. There is an argument for that. There is an argument against it, too. It is a very delicate matter, difficult to balance. It is something that requires a very careful decision by men familiar with all the facts, as these congressmen did not appear to be. But the one thing you can be sure about is that, if you are going to do it, you do not tell them about it beforehand. What do we do in this country? We put it in an appropriation bill and say what we are going to do and then we make speeches about it, exultant speeches, which undoubtedly will help the author of the amendment to the appropriation bill get reelected in his district, but which tell the enemy well in advance, "This is what we are going to do." Then if they see an American citizen in their country, they probably think he is engaged in subversive activities and we will have another Oatis or Vogeler case.

The worst disclosure, however, was one for which the legislative and executive branches share the responsibility, the disclosure of the entire background of our military and diplo-

matic thinking in the hearings of the MacArthur Committee. This was information of immeasurably greater value than the design of a new proximity fuse or a radar controlled antiaircraft gun, or the disclosure of how many B-36's were operational at a given time. It was practically the equivalent for the enemy of our having all the minutes of the *Politburo* since the end of the war. We gave it all away, except a little "secret" information. What could be more secret than the motives behind our military thinking and the major elements of our national policy and information on how that is conducted?

It has been said with truth these hearings served a very useful function of public education. The American people heard a great deal of this testimony and a good many of them seemed to have learned a great deal of value from it. It is said also—and no doubt with truth—that getting all this stuff on the record was the only way to release that sudden and bitter tension that grew up with the return of General MacArthur. It may have been unavoidable in a democracy, but if it is unavoidable in a democracy, I do not know that there is much use in trying to keep anything secret in Washington at all. It is like trying to put a padlock on a sieve. That is what it is.

As to this particular order of the President's, I think that so much noise has been made about it, that it probably isn't likely to do much harm. It could conceivably do harm in this case or that, but, if you have alert public information officers in the various agencies, people who are willing to stand up and talk back to the security officers, the chances are that the thing will be argued out with a fair degree of justice in the long run.

There will be some things that should be covered up. They probably will be. There may be some things that should not be covered up and will be, but I doubt if those will amount to anything very serious.

As for the general proposition of giving away everything we have in the course of operating a democratic government, if that is the price you have to pay for operating a democratic government, that is the price you have to pay, and I suppose we might just as well get used to it.

Thank you.



# The Theory of the Autonomous Government Corporation: A Critical Appraisal

By HAROLD SEIDMAN

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## I

THE industrial boom of the 1870's marked the beginning of what has often been described as the "era of the corporate revolution" in the United States. Prior to the Civil War, use of the corporate form in the industrial field was confined almost entirely to the textile industry. But the transition from an agricultural to an industrial economy, accompanied as it was by the rapid growth of "big business," greatly stimulated the use of the corporate form because of the advantages it offered in the way of limited liability and pooled investment. Today the corporation has virtually become a way of life in America, and Harold J. Laski went so far as to say that it is regarded as "almost an object of religious devotion."<sup>1</sup>

A development comparable to the corporate revolution in industry is found in the history of the United States government during and after World War I. The United States acquired the Panama Railroad Company in 1904 when it purchased the assets of the French Canal Company, but it was not until World War I that the first wholly owned government corporations were created. Of the World War I corporations, only the Federal Land Banks have survived to the present day. With the coming of the "New Deal" and the final stages of the transition from the "laissez-faire" state to the "positive" state, the government assumed responsibility for a wide variety of social and economic programs, many of which required it to engage in business-type operations. It soon became apparent that the traditional government organization did not read-

ily lend itself to the effective administration of programs of this type. Recourse was therefore had to the form of organization which had proved so successful in private industry—the corporation. The corporation has now come to be accepted as the appropriate instrument for administering programs of an industrial or commercial character. This fact is reflected in President Truman's statement in his 1948 Budget Message that "experience indicates that the corporate form of organization is peculiarly adapted to the administration of governmental programs which are predominantly of a commercial character—those which are revenue producing, are at least potentially self-sustaining, and involve a large number of business-type transactions with the public."<sup>2</sup>

There are at the present time thirty-nine active wholly government-owned corporations in the United States, including twelve Intermediate Credit Banks and twelve Production Credit Corporations which are parts of the Farm Credit System. In addition, there are twenty-four mixed-ownership corporations, those whose capital stock is owned in part by others than the federal government, namely the Central Bank for Cooperatives, twelve Banks for Cooperatives, and eleven Home Loan Banks. These corporations conduct a wide variety of enterprises such as making and guaranteeing loans of private institutions to businessmen, farmers, home owners, foreign governments, and other borrowers; insuring private individuals against loss from crop failures, price declines, and other hazards; operating power and synthetic rubber plants, tin smelters, rail-

<sup>1</sup> Harold J. Laski, *The American Democracy* (Viking Press, 1948), p. 175.

<sup>2</sup> *The Budget of the United States Government for the Fiscal Year Ending June 30, 1948* (U.S. Government Printing Office, 1947), p. M61.

roads, canals, hotels, steamship and barge lines, and terminal and harbor facilities; distributing electric power; and purchasing and selling commodities in foreign and domestic markets.

William A. Robson has called the government corporation "one of the most significant institutional innovations of our time."<sup>3</sup> Robson might well have added that the government corporation is also one of the most controversial institutional innovations of our time. The rise of the government corporation has stirred strongly ambivalent emotions in the breasts of conservatives and liberals, centralists and decentralists. It has produced a literature which is replete with contradictions and strange paradoxes.

Thus, we find banker Winthrop A. Aldrich and conservative Republicans in the forefront of the group which vehemently argued that a corporation was necessary to assure "business-like" administration of the Marshall Plan, despite the fact that a few short years before other conservatives, including the United States Chamber of Commerce, were urging with equal vehemence that "no more government corporations be created [and] that existing corporations be liquidated as soon as possible. . . ."<sup>4</sup> Dwight Waldo has noted:

The example of private corporate practice has been one of the favorite weapons in the dialectic armory of those who have been interested in deprecating legislative or judicial influence and in aggrandizing executive power. On the other hand a number of persons have found in the practices of corporate interrelationships a hope that society can be planned and managed in the requisite degree without the disadvantages and dangers of great concentration of authority. . . .<sup>5</sup>

The key to the paradox is to be found in a fundamental divergence concerning the nature and role of the government corporation. The public as well as the private corporation has gained adherents who view it with almost

religious devotion. A relatively small but highly prolific group of writers appear to accept the corporate form of organization as a desirable end in itself, regardless of the purpose which it serves. To them the corporation is an institution which is inherently different from other organs of government. They have projected a "pure" form of government corporation with two minimum characteristics—a board of directors and autonomy, particularly from direction and control by the executive branch. The inner essence of the corporation is considered to be completely destroyed by any serious deviations from the "pure" form.

Other writers reject in whole or in part the theory of the autonomous corporation. They contend that the corporation is merely another instrument for accomplishing governmental purposes—that while business programs should be accorded such operating and financial flexibility as may be required for efficient administration, the fact of incorporation does not in and of itself confer a special status. They conclude that the basic relationship of a corporation to the executive and the legislature should be much the same as that of any other government agency.

This cleavage in basic approach to government corporations is not an expression of conflicts in economic ideologies, although these may be motivating factors in individual cases. Rather, it represents a difference in philosophy of government.

If there is a single underlying theme in the literature of corporate autonomy, it is distrust of government. Harold Laski points out that "most Americans have a sense of deep discomfort when they are asked to support the positive state. . . . They tend to feel that what is done by a governmental institution is bound to be less well done than if it were undertaken by individuals, whether alone or in the form of private corporations."<sup>6</sup> If a service cannot be performed by private enterprise, then obviously the next best thing is something which looks as nearly as possible like a private institution and which has as little as possible to do with government. Thus the feeling of discomfort is somewhat alleviated

<sup>3</sup> "The Administration of Nationalized Industries in Britain," 7 *Public Administration Review* 162 (Summer, 1947).

<sup>4</sup> Finance Department, Chamber of Commerce of the United States, *Controlling Federal Expenditures* (June, 1944), p. 25.

<sup>5</sup> Dwight Waldo, *The Administrative State* (Ronald Press Co., 1948), p. 7.

<sup>6</sup> *Op. cit.*, p. 167.

when services are provided by a public corporation and the corporation is so organized that it is of but not in the government.

## II

THE theory of corporate autonomy finds its earliest expression in the works of W. F. Willoughby. To relieve the staggering burden of business, both in the executive branch and the Congress, Willoughby proposes the adoption by the government of the "holding corporation" form of organization. All of the revenue-producing services of the government would be organized as public corporations and given "complete financial autonomy. . . . In this manner only is it possible to determine accurately the extent to which the service is paying its way, producing a profit, or running up a deficit."

In addition to financial autonomy, Willoughby would also give the corporations administrative and, to an extent, legislative autonomy. The relationship between the general government and the corporations would be much the same as that between a state and a municipal corporation. The advantages cited for the holding corporation arrangement are that it would (1) reduce the burden on the Congress; (2) provide continuity and freedom of action which cannot be obtained in the Congress; (3) take purely business and technical services of the government outside the domain of politics; (4) encourage the development of career services; and (5) relieve the corporations of compliance with regulations and procedures applicable to governmental services. Willoughby emphasizes that the central feature of his proposal is "the adoption by Congress of the policy of delegating to a subordinate board of directors the direct responsibility for the exercise of the function of general direction, supervision, and control." In two respects, Willoughby does not go so far as some of the later theorists of corporate autonomy. His plan would retain an annual budget review by the Congress and would provide for an annual audit by the comptroller general.

It is significant that nowhere in Willoughby's discussion is there any reference to the President. This omission stems from his belief that constitutionally the President of the

United States possesses no administrative authority and that the line of authority runs directly from the administrative services to the legislature, except where the latter has expressly provided otherwise. It is his view that the President cannot even give orders to heads of executive departments with respect to the performance of their duties. For Willoughby the theory of corporate autonomy is a logical outgrowth of his interpretation of the Constitution.<sup>7</sup>

The theory of corporate autonomy has been most fully developed by Marshall E. Dimock and C. Herman Pritchett. While implicit in Dimock's argument is an interpretation of the President's function comparable to that advanced by Willoughby, his case is based principally on what he believes to be inherent characteristics of the corporate form of organization. Although acknowledging that there is no innate magic in the term corporation, Dimock distinguishes between "authentic" corporations and others which have not been established along "principled" lines and, consequently, are not worthy of the name. The one essential attribute of an authentic corporation is autonomy, the right to manage its own affairs. Dimock defines autonomy to mean "concentrating managerial powers in the hands of competent people and giving them enough free rein to achieve the desired results. It is the privilege of being left alone so long as you do not overstep the rules laid down in advance."<sup>8</sup>

Dimock also enumerates certain other organizational, financial, and operating characteristics which distinguish an "authentic" government corporation. The first is self-contained finance and financial freedom. This means removal from the necessity of annual appropriations; power to borrow money; ability to retain earnings as working capital or for reserves; freedom, in the matter of expenditures, from general governmental regulations and restrictions; and freedom, in auditing and accounting, from control of regular government accounting officials. Dimock notes that it

<sup>7</sup> W. F. Willoughby, *Principles of Public Administration* (The Brookings Institution, 1927), pp. 36-37, 161, 169.

<sup>8</sup> Marshall E. Dimock, "Government Corporations; A Focus of Policy and Administration, I," 43 *The American Political Science Review* 913 (October, 1949).

is in this area that corporations in the United States have been losing ground in recent years. The second is an effective board of directors, "the key to program success." The weakening of boards of directors is considered "one of the principal evidences of corporate weakness" and is attributed possibly to "some fancied jealousy" by the Congress. Dimock argues along much the same lines as Willoughby that while the Congress may be the over-all board of directors, the corporation's own board is the *operating* board of directors. However, the corporation's board should confine itself to policy and checking on results and not engage in detailed administration. The third and final characteristic is unity of management which grows out of and is closely related to the idea of autonomy. Unity requires that the internal management have "a single, coordinated leadership under which all elements needed for success are combined in a manner conducive to efficiency and flexibility."<sup>9</sup>

C. Herman Pritchett also embraces the concept of an "authentic" corporation. He laments that "government corporations remain and even increase in number while the government corporation is passing away." In Pritchett's view, "the original corporate concept embodied not only independence from Congress but also a certain degree of autonomy with respect to the executive branch of the government." This he finds has "fallen afoul of the prevailing trend toward integration." He concludes that it is "unwise to talk about 'the government corporation,' for the attributes which marked the earlier federal corporations and made them representatives of a distinctive type of administrative organization have been disappearing before our eyes, like the Cheshire cat. Soon there may be nothing left but a smile to mark the spot where the government corporation once stood."<sup>10</sup>

<sup>9</sup> *Ibid.*, pp. 915-21. Other writings by Dimock on government corporations include "These Government Corporations," *Harper's* (May, 1945); "Principles Underlying Government-owned Corporations," 13 *Public Administration* (1935); *Business and Government* (Henry Holt & Co., 1949), 840 pp.; *Government-Operated Enterprises in the Panama Canal Zone* (University of Chicago Press, 1934), 248 pp.

<sup>10</sup> C. Herman Pritchett, "The Paradox of the Government Corporation," 1 *Public Administration Review* 381-89 (Summer, 1941).

Dimock and Pritchett have allowed themselves to become so fascinated by the frosting on the cake that they have neglected adequately to analyze what is underneath. This has led to a preoccupation with relatively superficial manifestations of the corporate form, such as boards of directors and organizational autonomy. Neither of these constitutes the vital force of a government corporation.

Dimock in particular stresses the essentiality of an independent board of directors. "Let federal bureaucrats ponder the loss of corporate identity if representative boards are not reinstated," he warns.<sup>11</sup> Dimock does not explain why calling a commission or advisory committee a "board of directors" endows it with special virtues which it would not otherwise possess. Yet the functions and composition of a board, depending upon whether the directors serve full or part time, are no different from those of a commission or advisory committee. The Senate investigation of the Reconstruction Finance Corporation demonstrates that a full-time board of directors is by no means immune from the ills generally associated with plural executives.

There is no doubt that to many the board of directors is the trade-mark of a government corporation. But this is more or less of an historical accident resulting from the fact that many state incorporation laws require the establishment of boards of directors elected by the stockholders. A board of a private corporation nominally has the duty to act for the stockholders in formulating basic policies and checking on the results of operations. In government this role in the final analysis is performed not by the board, but by the President and the Congress, especially the appropriations committees. Government corporations have existed and operated effectively without a board of directors. The Brookings Institution has correctly stated that "there appears to be nothing inherent in the corporate form of organization to require a board instead of a single administrator. . . . Similarly there appears to be nothing inherent in the noncorporate form to require a single administrator instead of a

<sup>11</sup> Marshall E. Dimock, "These Government Corporations," *Harper's* (May 1945), p. 574.

board."<sup>12</sup> A board of directors may well be found advisable and useful under some circumstances, but it is not the *sine qua non* of a government corporation.

Part of the confusion undoubtedly arises from the use of the term "corporation." It might have been preferable if the government corporation had not borrowed its name from a private prototype. While government and private corporations in the United States do possess certain common characteristics, there are and always have been fundamental differences. Both have a legal personality, can sue and be sued, and generally have boards of directors. Here the resemblance ends. Private corporations, with the obvious exceptions, are organized for profit and the corporate form is utilized primarily to take advantage of limited liability, pooling of investment, transferability of securities, and perpetuity. These benefits are of little or no significance for a government corporation.

Pritchett and V. O. Key, Jr., are concerned by the apparent diversity of form which exists among United States government corporations. Key concludes: "It is thus misleading to speak of 'the' government corporation. No uniformity of powers or of form is apparent; about all that government corporations have in common is the name."<sup>13</sup> Here again outward appearances are deceiving. While there is considerable variety in the kinds of programs administered by government corporations, nonetheless they exhibit a high degree of uniformity as to purpose, nature of activity, and powers.

### III

GOVERNMENT corporations are organized to achieve a public purpose authorized by law. This fact is often forgotten. So far as purpose is concerned, a corporation cannot be distinguished from any other government agency. This view was vigorously stated by the United States Supreme Court in the case of *Cherry*

*Cotton Mills v. U. S.* (327 U.S. 536) when it held that the fact "that the Congress chose to call it a corporation does not alter its characteristics so as to make it something other than what it actually is, an agency selected by the government to accomplish purely governmental purposes."

With the sole exception of the Institute of Inter-American Affairs, all United States government corporations administer programs which are predominantly of a commercial or industrial character. These programs are revenue producing and potentially self sustaining. They involve a large number of business transactions with the public. Although it would appear to be self evident, it is necessary to note that government corporations do not perform quasi-judicial or quasi-legislative functions. Popular writers have been confused by the apparent similarity in structure between government corporations and independent regulatory commissions. Thus David Lawrence writes: "Basically the RFC is supposed to be an 'independent agency' and not a part of the executive department or the White House, but a creature of Congress, as are all other independent Boards and Agencies."<sup>14</sup> This view cannot be supported either by law or by practice. In the *Morgan Case* the Supreme Court ruled that a TVA director is not comparable to a member of a regulatory commission and, like any other officer of the executive branch, serves at the pleasure of the President. The functions of a corporation are the same as those of any administrative agency; the difference between the two is in the *method* employed to perform the functions.

Since there is no federal law of corporations, a government corporation possesses only those powers which are enumerated in the act of Congress creating it. Despite this fact, there is remarkable uniformity in the powers granted to government corporations by the Congress. With some minor variations, government corporations can sue and be sued; acquire property in their own name; use their revenues; obtain funds either by borrowing from the Treasury or from revolving funds, instead of by securing annual appropriations; and determine the character and necessity of their expendi-

<sup>12</sup> *Administration of United States Aid for European Recovery Program*, Report Submitted by The Brookings Institution to the Committee on Foreign Relations of the United States Senate, January 22, 1948, 20 pp.

<sup>13</sup> V. O. Key, Jr., "Government Corporations" in Fritz Morstein Marx (ed.), *Elements of Public Administration* (Prentice Hall, 1946), p. 240.

<sup>14</sup> *The Washington Star*, February 27, 1951.



tures and the manner in which they are incurred, allowed, and paid, subject to laws specifically applicable to government corporations rather than to general statutes controlling the expenditure of public funds. These are the vital ingredients which give a government corporation its distinctive character and without which it cannot operate successfully.

The objective to be sought is not freedom from all governmental regulations and controls, but freedom from those which are unsuited to a business operation and stifle operations. Prior to the enactment of the Government Corporation Control Act in 1945, the only alternative to applying regulations devised for traditional governmental activities was often to apply no controls at all. But absence of controls was due to failure to develop new techniques, not to the inherent nature of the corporate form. As the U. S. Bureau of the Budget reported to the Congress:

Within recent years it has been increasingly recognized that financial controls generally applicable to government-type programs, such as civil government, health and sanitation, cannot satisfactorily be employed in the case of programs which are essentially of a business nature. This is reflected by the enactment in 1945 of the Government Corporation Control Act, which provides for new types of controls, such as business-type budget and commercial-type audit, specially designed to meet the needs of programs of a business character.<sup>15</sup>

The Corporation Control Act is one of the most significant developments in the art of public administration. With it the government corporation can be said to have come of age in the United States. Experience during the past seven years has not substantiated Pritchett's gloomy prediction that the Corporation Control Act "goes far toward completing the task of eliminating the features which have made government corporations useful instruments for enterprise purposes."<sup>16</sup>

<sup>15</sup> *Panama Canal and Panama Railroad Company*, Communication from the President of the United States transmitting the Report and Recommendations of the Bureau of the Budget with Respect to the Organization and Operations of the Panama Canal and Panama Railroad Company, Pursuant to the House Report No. 1304, 81st Cong., 2d sess. (1950), p. 13.

<sup>16</sup> C. Herman Pritchett, "The Government Corporation Control Act of 1945," 40 *The American Political Science Review* 509 (June, 1946).

Organizational autonomy neither enhances nor detracts from the essential attributes of a government corporation. It may result, however, in so isolating the corporation that it does not have any voice in the formulation of broad public policies affecting its sphere of activity. Autonomy is two edged. It means not only freedom from outside direction and control, but also exclusion from the "official family" and close working relationships with top policy-making officials. These informal day-to-day associations afford an official the most favorable opportunity to influence policy determinations.

Making corporations full-fledged members of the government team is to the advantage both of the corporation and of the government as a whole. Corporate programs are generally closely interrelated with those of traditional agencies having the same major purposes. Each is dependent upon the other for the successful accomplishment of its mission. For example, the economic development program of the Virgin Islands Corporation must be geared into the education, health, and other programs of the Virgin Islands Government and the Department of the Interior. Otherwise the corporation might be attempting to industrialize the Islands while the other agencies were concentrating on the training of agricultural workers. Leonard White obviously has situations of this type in mind when he states that coordination and control of policy of the corporations is required "to the end that the policy of the government as a whole shall be free from contradiction."<sup>17</sup>

Dimock believes that the Congress, not the executive branch, should be relied on to correct such conflicts and inconsistencies. He contends that integration is unnecessary because "in theory and in practice the supervisory function is adequately performed by the corporate board of directors, its paid management, and Congress." Policy control "is established through charter powers, legislation, appropriations [although Dimock elsewhere says corporations should be free from appropriations], and surveillance." The hypothetical il-

<sup>17</sup> Leonard D. White, *Introduction to the Study of Public Administration* (3d ed. Macmillan Co., 1948), p. 122.



illustrations given by Dimock, however, are examples not of policy coordination but of repeal or negation of congressional enactments. He asserts that if the President were given executive control over corporations, he might turn the TVA over to old line agencies, refuse to pay agricultural subsidies, or direct the Export-Import Bank to make loans to nationals of the United States rather than to foreign countries. No one, of course, has ever proposed that the President should have such authority. What the President or other supervisory official must have is authority to assure that actions taken by corporations, within the powers granted to them by the law, are consonant with the policies of the government. Certainly, it is not the responsibility of the Export-Import Bank to formulate the foreign policy of the United States.

The only concession that Dimock is willing to make to proponents of integration is a liaison relationship between a Secretary and a corporation. The Secretary's sole function would be "to keep informed" of the corporation's program objectives "in order better to advise Congress and the cabinet on large policy questions arising in his area of public policy." The Secretary would have no directive authority, and criticisms of the corporation's efficiency and achievements would be dealt with directly by the board and the management. "If the cabinet official were allowed to rule with a heavy hand," Dimock concludes, "the corporation might as well be a bureau because its corporate character would be lost. . . ."<sup>18</sup>

#### IV

UNLESS Willoughby's interpretation of the President's role is accepted, the theory of the autonomous corporation cannot be reconciled with the American constitutional system. The President as chief executive cannot, even if he so desires, relieve himself of responsibility for the activities of government corporations. The Hoover Commission proclaimed as a fundamental principle: "The President, and under him his chief lieutenants, the depart-

ment heads, must be held responsible and accountable to the people and the Congress for the conduct of the executive branch." As a corollary to this principle, the commission stated: "Responsibility and accountability are impossible without authority—the power to direct."<sup>19</sup> The power to direct must extend to all components of the executive branch, including corporations.

The theory of the autonomous corporation is rejected both by the President's Committee on Administrative Management and by the Hoover Commission. The President's Committee recommended that "each 'governmental corporation' should be placed under a supervisory agency in an appropriate department." The President should be authorized to place corporations under such "over-all governmental controls as may be found advisable in each case. . . ."<sup>20</sup> The penetrating analysis by Commissioners Acheson, Pollock, and Rowe reaches the very heart of the matter. Their separate statement appended to the Hoover Commission report on *Federal Business Enterprises* recognizes that

The significant differences between business enterprises and other Government activities do not relate to purpose, but are to be found in the nature of the activity, operating practices, method of financing, and internal organization. . . . Business enterprises do not and should not derive any special organizational status from the fact that they are business enterprises and not some other type of governmental activity. . . . Any attempt to deal with them as a thing apart can create serious organizational problems.<sup>21</sup>

The weight given to the theory of the autonomous corporation has never been justified by practice in the United States. The "authentic" government corporation is largely a fictional creation. The Panama Railroad Company, which was succeeded by the Panama Canal Company on July 1, 1951, is most often

<sup>18</sup> The Commission on Organization of the Executive Branch of the Government, *General Management of the Executive Branch* (U.S. Government Printing Office, 1949), p. 1.

<sup>19</sup> Report of the President's Committee on Administrative Management (U.S. Government Printing Office, 1937), pp. 45-46.

<sup>20</sup> The Commission on Organization of the Executive Branch of the Government, *Federal Business Enterprises* (U.S. Government Printing Office, 1949), pp. 94-95.

<sup>21</sup> Marshall E. Dimock, "Government Corporations: A Focus of Policy and Administration, II," 43 *The American Political Science Review* 1149, 53, 55, 56 (December, 1949).

referred to as a classic example of a "pure" government corporation. Yet it failed to meet the most important criteria prescribed by Dimock. From almost the very beginning the company was managed and operated as an integral part of a government agency, The Panama Canal. Over-all supervisory authority was vested in the Secretary of War, now the Secretary of the Army, as stockholder. Directors were appointed by the Secretary and served at his pleasure. Most of them were former governors of The Panama Canal or officials of the corporation. The board rarely met more than three or four times a year. The company was not organizationally autonomous, but it possessed the operating and financial flexibility common to most present-day corporations. Another of the early "pure" corporations, the Inland Waterways Corporation, was at the time of its establishment made subject to the direction and control of the Secretary of War and did not even have a board of directors.

The theory of the autonomous corporation can be more easily reconciled with the parliamentary form of government. But the current trend in both Canada and Great Britain is away from earlier concepts of corporate autonomy. J. E. Hodgetts reports that in Canada government corporations are employed primarily to obtain "autonomy in establishment control."<sup>22</sup> There is an increasing tendency in Canada to make full-time civil servants directors of corporations. The Minister is now much more than a pipeline between the corporation and the Parliament. Public corporations in Great Britain, according to Herbert Morrison, "are accountable to Parliament through Ministers on matters for which Ministers are themselves responsible. . . . [This list includes] research; capital development; education and training; borrowing by the Boards; forms of accounts and audits; annual reports, pension schemes; the appointment of, and other matters connected with, Consumers' Councils. And, of course, the fact that Ministers appoint the Boards, and their powers of general direction are fundamental to the question of public accountability."<sup>23</sup> Ministers have

directive authority and can, for example, order a board to remedy defects to which consumers' councils have drawn attention. Robson has noted that in establishing recent public corporations Great Britain has provided for a much greater degree of ministerial intervention than was applied to similar prewar institutions. It is his view that "Parliament will not be able to exercise effective control or supervision over the operations of the public corporations. . . . For the task of general supervision and direction on questions of major policy we must look to ministers and their departments."<sup>24</sup>

It is significant that the theory of the autonomous government corporation has taken hold principally in those countries in which the central government is weak or unstable, or in which there is deep-seated distrust of government. More "authentic" corporations probably can be found in Latin America than in any other area of the world. The autonomous corporation has been seized upon as a panacea for inefficient or even corrupt government. However, the proliferation of autonomous corporations has in many instances merely served to aggravate a chaotic administrative system. Autonomy has been carried to the extreme, with the appointment of directors frequently being vested in private groups rather than in the government. With the draining off of major government programs, both of a business and a nonbusiness character, into autonomous public corporations, the ministries in some countries have become hollow shells. In some parts of Latin America public corporations can be said literally to constitute a headless and irresponsible fourth branch of government.

Latin American experience provides both a lesson and a warning. Properly understood for what it is, a tool of government which is well adapted to the administration of certain types of public programs, the government corporation has a definite and constructive role to play in modern government. Once the mechanism is sanctified and for that reason alone accorded a status different from that of other government agencies, it loses its utility.

<sup>22</sup> J. E. Hodgetts, "The Public Corporation in Canada," 28 *Public Administration* 284 (Winter, 1950).

<sup>23</sup> "Mr. Morrison's Views on Public Accountability," 28 *Public Administration* 176 (Autumn, 1950).

<sup>24</sup> *Op. cit.*, p. 168.

# Boulder City—Government Town Problem

By W. DARLINGTON DENIT

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THE Bureau of Reclamation, in the Department of the Interior, is identified with the great development of the West in the last half-century. In the states west of the 100th meridian it has built colossal dams, gigantic hydroelectric plants, and vast stretches of canal systems that have transformed millions of acres of barren desert into areas of incredible productivity.

As by-products of its large multipurpose projects, the Bureau has quietly given birth to a unique family of problem children, the government towns. Each of these towns poses problems of local particularity. This article is concerned primarily with Boulder City, Nevada, the eldest of the family, where a direct attack on parental problems is being made. Boulder City is neither the beginning nor the end of the government town problem of the Bureau. It is hopefully anticipated, however, that experiments under way there will provide techniques for general use.

That the Bureau of Reclamation has no monopoly on government town problems is indicated in recent reports about two Atomic Energy Commission towns, Oak Ridge, Tennessee, and Richland, Washington. There are distinctions in purpose, however, between the AEC towns and Boulder City. In Oak Ridge, for example, there was a deliberate intent to create a self-sufficient city hemmed in by a security wall. The Bureau of Reclamation sponsored Boulder City on a more casual and gradual basis. Its isolation was due to location rather than predetermination.

Practically all government towns, however, have one thing in common—they are the offspring of a marriage of necessity. The federal government does not create government towns for the purpose of engaging in municipal government. The towns are not an objective in

themselves; they are the incidents of a broader purpose to which the federal authority may address itself with propriety. When this broader purpose has been served, the excuse for federal participation in local government is removed.

## *The Building of Boulder City*

BOULDER CITY has experienced three development phases. It began as a construction camp while Hoover Dam, power plant, and appurtenances were under construction. Because the dam site was in the middle of a desolate area of barren rock mountains and desert sand, the establishment of a construction camp was a genuine pioneer project. All materials had to be shipped in and utilities had to be provided by the developers. Since dam construction was in the canyon depths where hellish heat prevailed around the clock, it seemed wise to locate the construction camp on a mountain plateau several miles away. Water was pumped up the steep mountain inclines.

The estimated period of construction was several years and the layout of the construction camp was accomplished in line with objectives of orderliness, efficiency, and comfort. The Bureau engineers were aware that the camp was the forerunner of a permanent operating headquarters and provision for facilities was made on a long-term rather than a transitory basis. At the peak of construction, the camp population was about 6,000.

When major construction ended in 1937, Boulder City changed from a feverish construction boom town to the quiet dignity of a routinized operating headquarters. The population shrank to about 2,000, made up of professional and office workers, skilled laborers, and essential service businessmen.

Up to this point Boulder City had been purely a government town made necessary by a federal program. Some of the factors already in being, however, had a profound effect in the third and continuing development phase.

The first factor was the green thumb of the Bureau engineers. Not since Jack and the Beanstalk has there been any planting to compare with that in Boulder City. Space was no problem and the project installation made it possible to bring that scarce commodity—water—from the Colorado River up to the plateau location of Boulder City. In their planning the Bureau engineers recognized that transformation of the barren waste into a habitable area would require the successful cultivation of trees, lawns, and shrubs. They undertook this project with considerable enthusiasm and generosity and the tree population rapidly assumed proportions outside the experience of any desert dweller. Landscape embellishments, in fact, exceeded in many ways anything associated with a normal city of 2,000 and more particularly with the ability of such a city to maintain.

The Bureau also built neat government residences with spacious lawns and terraced approaches and administration buildings with ornate touches of Spanish tile and a cloistered effect in the mission tradition. The Bureau engineers had to prepare a community of sufficient attractiveness and comfort to insure a suitable habitation for competent engineers, plant operators, and maintenance crews. Hoover Dam, after all, was at the time the world's largest power plant and if enthusiasm transcended bare necessity, forgiveness must be found in the immense challenge which the engineers faced. Moreover, the engineers were influenced by the standards of embellishment which characterize "company" towns of private utility operators.

The important result as it affects the destiny of Boulder City was that an attraction of inestimable potentiality was created. Here was a veritable oasis in the desert. Thousands of Americans have a yearning for the wide open spaces. In Boulder City these spaces were available with all the comforts of home. With rapid advancements in refrigeration and air conditioning, the desert heat no longer posed an

obstacle to personal comfort. Boulder City offered all of the climatic advantages of the desert with none of the discomforts ordinarily associated with desert living. Workers who came to Boulder City with great misgivings proclaimed their intention of remaining until dislodged by force.

By 1940 Boulder City had entered a period of growth controlled only by natural economic limitations.

#### *The Problem Takes Shape*

MORE and more business operators desired to take advantage of the assured resident payroll and, above all, of the natural living advantages of Boulder City. In Hoover Dam and its power plant the Bureau had provided a national monument and an important tourist attraction. The reservoir behind the dam, known as Lake Mead, had been declared a recreational area with all of the potentialities of a lake in the middle of the desert. Boulder City became the center for transient visitors to the dam and the stopping place for sportsmen and others who began to take advantage of the Lake Mead facilities. Growth in tourism provided inevitable growth in population. Boulder City rapidly assumed a community character significantly different from an operating headquarters for the Boulder Canyon Project.

The government added to its dilemma by installing a field operation of the Bureau of Mines in Boulder City and establishing the regional office of the Bureau of Reclamation there in 1944. With the declaration of Lake Mead as a recreational area, the National Park Service had also been required to establish a substantial office in Boulder City. These new federal infiltrations increased the population of Boulder City.

Energy produced at Hoover Dam was contracted for sale to various power allottees controlling marketing areas principally situated in Southern California. The contracts provided, among other things, that the allottees would pay a price for the power which included a component for the operation and maintenance of the dam, the power plant, and appurtenances. Boulder City, as an operating headquarters, was regarded as an appurte-

nance. Thus the increased cost of maintaining standards of physical appearance and exceptional utility services for a growing population became a burden on the power contractors, or more accurately on the customers of the power contractors, and in 1943 they protested in unison against underwriting indefinitely the economic and social growth of Boulder City. The Bureau of Reclamation, however, had no appropriations for operating Boulder City services beyond those legitimately chargeable to the power allottees. More important, it had no basic authority to engage generally in the applied sciences of local government. Several formal studies of the problem failed to yield the prescription for its solution.

The massive industrial development around the basic magnesium plant at Henderson, Nevada, a scant eleven miles from Boulder City, during the war, provided further impetus to growth of the government town, additional unhappiness to the power allottees, and an increasingly uncomfortable awareness on the part of the Bureau of the difficult problem of Boulder City's destiny. Nonetheless, the war and immediate postwar periods made it possible to avoid a realistic approach to the problem.

In 1948, however, the power allottees quietly obtained legislation which relieved them from paying for "non-project" expenditures and investments for federal activity other than Boulder Canyon Project operations.<sup>1</sup> While this legislation provided some relief to the power allottees, it intensified the Bureau's dilemma. It had the effect of segregating project activities from non-project federal activities but left dangling the matter of costs attributable to that segment which is directly associated with neither the Boulder Canyon Project nor other federal activities—privately employed persons, operators of businesses not required to service resident needs, etc. It succeeded, moreover, in placing the Bureau of Reclamation in the unhappy position of seeking annual appropriations with which to support Boulder City.

No basic law encouraged the Bureau to dabble in local municipal government. Moreover,

the Bureau wished to take only such action as was consistent with its powers and with principles of American government.

Impetus for local self-government came, somewhat surprisingly, from the citizens of Boulder City who addressed a petition to the Department and the Bureau. While this petition could not be viewed as a majority declaration, the Bureau of Reclamation took it to heart and requested the Secretary of the Interior to express his opinion. The Secretary thereupon announced that as a matter of policy he was in favor of "self-sustaining" local self-government in Boulder City. At last the problem was to be faced squarely.

#### *The Problem Is Attacked*

THE Bureau of Reclamation and the Department were aware that they could not give Boulder City local self-sustaining government in one spasmodic gesture. Instead they proposed a plan that would provide a systematic foundation for the transition.

*Expert Analysis Undertaken—The Reining Report.* The first move was to employ a public administration expert, Henry Reining, to conduct an on-the-site analysis of Boulder City complete with public hearings and explanatory discussions. In the hearings he accumulated a vast quantity of testimony whose substance fell into the anticipated pattern. The power allottees reasserted their determination not to underwrite the past or future growth of Boulder City beyond the scope of an operating headquarters; the predominant majority of the federal workers and their dependents testified to the advantages of permitting Boulder City to continue undisturbed; the church representatives as well as the majority of local citizens expressed outraged concern that a program of change might culminate in active gambling and liquor industries in Boulder City; and a few people testified that they wished a voice in local government and recognized that this would mean picking up at least part of the check for running Boulder City.

Dr. Reining's recommendations were based on the thesis that the overwhelming desire of the resident population to continue to receive the direct benefits of federal support did not justify keeping the federal government in the

<sup>1</sup> See related passages, Public Law No. 841, 80th Congress.



business of local government. He was convinced that Boulder City should be converted to the "American idiom." His problem was to determine the most painless way in which local self-sustaining government could be achieved.<sup>2</sup>

Operating on the logic that before the community could walk it must first learn to crawl, Reining advocated a series of transition steps. The first was complete administrative and financial segregation of municipal operations and the Boulder Canyon Project. The second, incorporation under a federal charter, would be a period of developing substantial autonomy in municipal government. The last would be incorporation under the laws of the state of Nevada.

The Bureau of Reclamation and the Department of the Interior studied the report carefully and decided that while adjustments might be required in certain recommendations and in detailed formulas and procedures for transition, the principles of the report should be adopted. Accordingly, the report was officially adopted and on July 27, 1951, the Secretary of the Interior issued an order (No. 2650) providing broadly for the separation of administrative responsibility as between the Boulder Canyon Project and the municipal operations in Boulder City, the appointment of a city manager with broad responsibilities in local affairs, and the creation of an advisory council to the city manager composed in part of citizen representatives. At the same time the Secretary placed in channels for action proposed legislation that would provide substantial financial segregation.

*Administrative Action Initiated.* The Bureau of Reclamation moved promptly to effectuate the Secretary's order by sending the Bureau comptroller to Boulder City as the commissioner's designee to implement its provisions. The comptroller brought the people of Boulder City face to face with the fact that their foster parent, the Bureau of Reclamation, was retiring. The situation in general was outside the clinical atmosphere of the Reining study and down to the bedrock considerations of why, how, when, and how much.

<sup>2</sup> His recommendations are contained in an opus popularly called "The Reining Report," published as Senate Document No. 196, 81st Congress, 2nd session.

The steps taken by the comptroller to prepare for the full installation of Secretarial Order No. 2650 may be summarized as follows:

1. A classified position for city manager was established and arrangements were made with the U. S. Civil Service Commission for a special program of recruitment and examination. (At this writing the appointment of a city manager is immediately pending.)
2. A memorandum of understanding covering transfers of personnel, property, etc., and outlining controls and availability of service functions was developed.
3. Basic budgetary and accounting procedures to implement the administrative segregation and to provide the financial foundation for further transition development were established.
4. The Reining recommendations (particularly those Phase 1 recommendations that had been reduced to legislative proposals) were re-analyzed in functional studies in terms of current and changing conditions.
5. Procedures for local elections of citizen representatives on special advisory committees were prescribed and the elections conducted.
6. Organization meetings of special advisory committees were held to outline functions, etc.
7. A tentative plan of municipal organization in a pattern susceptible to future transition development was drafted.
8. Studies of collateral problems, including special problems arising or changing in degree subsequent to the Reining Report, were completed.

In the face of fundamental community changes, the people of Boulder City demonstrated that their capacity for community action, long immobilized, was not entirely lost. This fact was most apparent in the local elections and in community-born efforts to stimulate pre-election interest. The commissioner's designee utilized voluntary citizen assistance to the maximum degree possible and a committee of volunteer election workers performed with exceptional intelligence and diligence.

Even so, much patient development work is needed if there is to be effective community participation in local government. Boulder City is a peculiarly factional community. Its adult population of perhaps 3,000 participates in more than 100 formal civic, religious, and fraternal organizations having great diversity of purpose, objective, and belief. This fac-

tional make-up of the population and its unique provincialism create a problem in developing public support for needed changes. Perhaps the most significant achievement of the commissioner's designee was the welding of the public support needed to accomplish his assignment. Difficulties in public relationships are perhaps the most challenging part of the transition program. Effective leadership by the sound core of intelligent people in the local population with a firm long-range interest in Boulder City will do much to resolve these difficulties.

#### *Broad Problems to Be Faced*

THE major significance of Secretarial Order No. 2650 (Reining Report-Phase 1) is that it undertakes to distinguish between *national* affairs and *local* affairs. It seeks to settle local problems locally. The order is installed and it will shortly be possible to appraise its operating effectiveness. Several major problems lie in the path of the transition program.

*The Sale of Government-Owned Property.* Effectuation of Phase 1 of the transition program in Boulder City entails the enactment of legislation providing for federal and local financial separation, and such legislation is pending. The proposed legislation also provides for disposal by sale of government-owned housing.

The jurisdiction of the United States in Boulder City is measurably dependent upon the ownership of the land upon which the city is located. In keeping with the gradual transition in form of government the divestment by the United States of its ownership interests must also be gradual. All that is contemplated in the pending legislation is the sale of the government-owned residences; sale of the land upon which the houses are located is not provided. This limited provision is consistent with the Reining proposals.

There are, however, at least two important points which should be considered in the sale of housing. First, there are in Boulder City many "residences" which are not technically salable. For the most part they are substandard housing salvaged from military and construction surplus which are "adequate" by no acceptable measurement. From both physical

and social points of view, the city would be vastly improved if they were removed. Conversely, most of the occupants of these shanties cannot be regarded as potential purchasers of these or any other houses. Thus, there is need for adequate substitute low-cost rental housing to absorb the occupants of substandard dwellings before they are disposed of. Obviously when the federal government is retiring from local affairs it should not undertake the construction of new housing. Private development must supply the need.

This point leads to the second major consideration, namely, that private capital has indicated an interest in filling the need only if the investors can have the protection of title in fee simple to the land. There are many indications that the United States should sell parcels of land suitable for low-cost rental housing development and such a move seems wholly consistent with the objectives of the transition program.

The proposed legislation provides simply that the Secretary of the Interior shall sell the government-owned residences pursuant to such rules and regulations as he may prescribe. This approach avoids the risky features of a rigidly legislated formula of sale but postpones an answer to the primary question of "how?"—an answer that must soon be supplied.

Several factors complicate the answer. First, government houses have been sold to private individuals in Boulder City. In 1948 houses built as part of the defense housing program of World War II were sold under special legislative authority.<sup>3</sup> Government employees and other resident lessees were given priority and sale prices were anchored to original costs. While the Bureau is not bound by this pattern, there is certain to be some resistance to any fundamentally differing procedure. This fact has already been demonstrated in the adverse popular reaction to the Reining proposal that the Bureau houses be sold to the high public bidder, provided that the government occupant is granted first right of refusal at a price equal to the high bid.

Another criticism of the proposal is that local citizens of average means will be placed in competition with powerful outside specu-

<sup>3</sup> Public Law No. 553, 80th Congress.

lative interests such as those located in nearby Las Vegas. Residents foresee not only loss of the dwellings, but a more meaningful loss of control over the social and economic affairs of the community.

Two primary considerations should govern the ultimate selection of a sales method. First, it does not seem that the Bureau need go beyond recovery of total investment in satisfying its obligation to the United States. Sale of the houses at original cost plus the cost of any interim capital improvements would yield enough return. Second, the procedure adopted should give distinct preference to resident employees. The Bureau will continue to need experienced employees and Boulder City will have increasing need for intelligent citizens with the interest of the community at heart.

*Social Considerations.* There are certain rare qualities in the social make-up of Boulder City. The community makes much of its virtue. There are no sales of hard liquor in Boulder City; beer and wine are vended on a restrictive basis. There is no authorized gambling. Although these conditions exist by government decree, the community has made it plain that it likes the situation. Basically, Boulder City is a church-joining, church-attending town. The community looks with horror upon any possible influx of the so-called "vice industries" that flourish in the state of Nevada. The economy of Las Vegas, twenty-five miles distant, is fashioned around legalized gambling. Under Nevada law "local option" obtains, and when Boulder City incorporates it will be up to the municipality to exercise the controls it wishes.

The Bureau also has an interest in this matter. Running one of the world's largest power plants with some of the world's largest water impoundments is exacting work. Many forms of employee expertness are required; often a mistake could mean death to the individual. A mistake could also mean critical, even tragic, results in the areas to which Hoover power is conveyed. The transmission lines out of Hoover are, in truth, industrial life lines. Employee efficiency and employee security are vital factors. There is one way in which the Bureau might practicably project this interest into the transition program, i.e.,

by selling land with restrictive covenants as to occupational use. Restrictive land-use conveyances have not found disfavor in our courts.

*The Jurisdictional Problem.* Only some of the principal jurisdictional problems in Boulder City can be briefly touched on here. Questions of jurisdiction should receive professional study as a total problem rather than the individual-case approach of the past.

The question of jurisdiction is important to the entire program of change and adjustment in Boulder City. Since the Reining study was made, state legal representatives have exhibited attitudes that could not be anticipated in the study. Repeatedly they have supported the position that the jurisdiction of the United States in the Boulder Canyon Project area is not absolute—that civil and police jurisdiction are reserved to the state of Nevada and that the United States exercises what might be described as a "proprietary jurisdiction" over the lands held. This position does not mean that the state can interfere with the essential functions of the United States. It should be equally clear, however, that the state may go to considerable lengths without actually interfering with federal functions. In the evolution of Boulder City from an operating headquarters for the Boulder Canyon Project to a city of diverse interests, the position of the federal government has grown increasingly vulnerable.

The county, with apparent propriety, is imposing taxes on several types of property in Boulder City. Under a recent pronouncement, the county will impose a tax on federal land leases. State taxation presumably is designed to defray, among other things, the costs to the state of rendering essential services to local communities. The jurisdiction of the state of Nevada has been recognized and the residents of Boulder City are now subject to state taxation. A question may be raised as to why the federal government continues to subsidize any feature of the local government. For example, all costs of the city Police Department are met from federal funds, yet the department is entirely dependent upon state law for the exercise of its functions.

It appears impossible to compose an intelli-

gent rationalization of the present confused legal situation. It points to the conclusion that the Secretary and the Commissioner acted none too promptly in instituting a program of change in Boulder City and that the incorporation of the city under the laws of the state of Nevada at an early date should be encouraged. If the local population wishes a voice in local government, the choice is no longer between the quiet benevolence of the federal government and effective local participation, but between county government and local municipal organization.

*The Finance Problem.* Financial problems in the adjustment program are so complex and diverse that only a few can be touched upon here. These problems are at present not severe, since the funds for Boulder City operation will continue to be provided by the federal government during Phase 1 of the transition. Under Phase 1, however, apt measurements of the costs of operating Boulder City will be available for the first time, and these must be used in evaluating the larger imminent problems. Phase 1 will reveal generally what it costs to operate Boulder City as a city, although the figures will not be precise so long as municipal operations are under Bureau auspices.

After incorporation the city will probably incur certain types of costs not incurred by the federal government. Federal administration is concentrated upon the physical aspects of municipal operation. Because of legislative limitations it has not undertaken some programs of social import, such as recreation. On the basis of recent observations, it is clear that the city will wish to institute a recreation program.

Following incorporation the city will incur other costs not directly associated with city government under federal auspices. For example, the city will find it necessary not only to finance law enforcement, but also to finance a system of jurisprudence involving at least a municipal judge and a city attorney. It will also have to develop a municipal code, a task complicated by the fact that there are almost no effective ordinance provisions in the community at this time.

There are many indications that these additional expenses can be met through systematic economies and new financial policies.

The sale of government-owned residences will remove a substantial burden of housing maintenance. The city when incorporated may decide to tax the newly created private property holdings.

Utilities problems will be fairly acute and the outcome is dependent upon legislative action. It is expected that the Boulder Canyon Project will continue to be the source of water and power for the city. If it may be assumed that legislation will direct that the project furnish water and power to the city on a cost-of-production basis, the city will be in a position to distribute the power over its own transmission system and to distribute the water over its own distribution system. Up to now water has been sold at only about one-half of actual cost of delivery. The city must contemplate an increase in water rates in order to reduce the water operation deficit, though the deficit is so great it may not be possible to offset it completely through a rate increase. The power picture is much brighter. The city can comply with the power resale policy of the Department of the Interior and still realize a margin. This margin under project operations has been sufficient to offset the deficit on water supply.

The basic problem in the financial future of Boulder City is whether the city will be expected to assume all obligations for maintenance of the present municipal layout or whether the federal government may be expected to contribute. Boulder City was developed as a government headquarters, and the community was planned with the expectation of government support. There is no proper relationship between Boulder City thus conceived and the capacity of the local population so to maintain it. Neither the purposes of government nor those of the community can be served by a government policy which simply says, "Take it. It's yours to do with as you will." On the contrary, such action might easily compromise the suitability of Boulder City as an important government base.

The federal government would seem to have a responsibility to make some contribution to the upkeep of Boulder City. Government is, and is likely to remain, the largest industry in the town. Federal installations will occupy

more land within the city limits than any private or even municipal operation. As the principal beneficiary of a wholesome and attractive community, the federal government has an obligation to augment municipal income from normal taxes by a contribution large enough so that the city can maintain present standards of services and operations. The assurance of adequate municipal financial resources without exorbitant taxes will do much to develop community thinking and to avoid pressures for admitting gambling and associated activities as means of raising revenue.

It may not be easy to overcome the arguments that inevitably will be leveled at a proposal to make federal contributions toward the support of Boulder City. It may logically be contended that if the community is to be placed on an equal footing with other American cities—that if full meaning is to be given to the self-governing self-sustaining concept—no federal contribution can be made. This position may be countered by the fact that the government created Boulder City as a permanent operating base, that a government town which springs from a Reclamation project differs from a government town established in connection with a shorter-range government program. The Bureau of Reclamation and other Interior agencies will of necessity be located in Boulder City as long as the hydroelectric project at Hoover Dam and Power Plant and Lake Mead with its many collateral uses continue in existence.

#### *Future Transition in Boulder City*

**T**HE transition program in Boulder City is only in its initial stages. The Reining report recommends that Phase 1 be followed by a period in which there would be expanded local government under a federal charter and with continued federal support. The Phase 2 proposal was advanced with a view to permitting an orderly process of community education in the techniques of self-government. Since, however, it would provide some of the attributes of self-government with none of the financial responsibilities, it might delay substantially or even prevent the achievement of

the final objective of municipal incorporation under state law.

Two modifications might be considered. The first would be to skip Phase 2 entirely. A rather important justification for such a decision has been supplied by the state and county in their expanded program of taxation of federal leaseholds in Boulder City without a corresponding investment in services to the community. The second alternative would be an attempt to develop in lieu of a federal charter a federal-state charter in which the direct exercise of further state jurisdiction would be permitted.

The first alternative appears to be the more practicable. Boulder City has an intelligent population and a period of education for self-government would not seem to be needed. Since the primary objective of the Bureau of Reclamation is to get out of the business of local government, it would seem pointless to create a situation in which the United States might be more deeply enmeshed in local affairs. In the last analysis, the needed impetus to incorporation will be supplied by the people themselves, but only if the federal government does not equivocate in its announced purpose of relinquishing its control and its financial support.

#### *Government Town Guideposts*

**T**HE Bureau of Reclamation is attempting an orderly process to local self-government in Boulder City. Its experience is demonstrating, however, that it has not yet discovered the perfect formula. Its pronounced objective is faithful to the principles of local self-government and accords the proper emphasis to local government in a national democratic system. The objective, however, is proving to be somewhat difficult to achieve and some mercurial sources inevitably will complain that the Bureau approach is too conservative.

The major lesson to be learned from Bureau experience, and from the experience of any other federal agency that has been the incubator for government towns, is that it is much easier for the federal government to create a community than it is to dispose of it. This fact underlines the need for more effective long-range planning. The time to decide the



method of disposition of a town is when the town is started. Later, when a community has been nurtured in the atmosphere of federal subsidy, the selection of a method is tremendously complicated.

When a government town is started, each element of planning and each element of administration should be conceived in terms of its relationship in the ultimate transition of the community to a self-governing, self-sustaining town in the American pattern. To this end, there should be full legislative and administrative preparation for the transforma-

tion period. Such foreknowledge is only fair to the citizens of the community and it will help to prevent the development of a community psychology at variance with the ultimate objective.

The program of the Bureau of Reclamation in Boulder City should be studied by public administrators at all levels of government—not only because of its intriguing elements of challenge to public administration techniques, but also because of the many lessons which can be learned from this experiment in applied democracy.

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#### Royal B

. . . we live in a difficult epoch. We have too little space and too little time, and therefore the tension on our nerves becomes too great. How can we concentrate? And yet we feel we must do so, for would it not be beneath our human dignity to make decisions without having considered them well enough, and to let ourselves be reigned by custom and instinct? And there is absolutely no point in letting the world be run by nervous wrecks! If we want to keep up the belief that we are the sound and sane section of humanity, we should at least *do* something in this direction. This problem is all the greater when the cities are larger, but it exists everywhere. Don't believe we don't know it in Europe! It is everywhere in our technical Western civilization.

I wish there were a world-wide program for all the regions where gadgets wield great power over human daily life. While, on the one hand, these gadgets make life easier, on the other hand they tend to reduce men and women to the status of mere numbers and robots. The program should be that everyone should try to find a spot to be alone, in order to have a proper opportunity to concentrate and to think of every thing an adult and responsible person should think about. The results might be astonishing!

—From an address by Her Majesty Queen Juliana of the Netherlands at the reception at City Hall, New York City, April 7, 1952.

# The Southern Regional Education Program

By GEORGE F. GANT

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ON February 8, 1948, the southern governors approved a compact to develop regional programs in graduate and professional education. The legislatures of thirteen states have now ratified the compact and Virginia's Legislature has moved to amend the state Constitution to permit ratification. In the meantime Virginia is cooperating to the extent possible in this regional enterprise.<sup>1</sup>

The Southern Governors' Conference, which fathered the interstate compact and brought the Southern Regional Education Board into being, was motivated by two major concerns. First, the demand for more and better facilities in the South for advanced graduate and professional work was growing, and such facilities cost large amounts of money. Second, educational institutions should make their full contribution to the social and economic develop-

ment of the southern region. For many years educational leaders had considered the advantages of interuniversity specialization and cooperation in developing programs of advanced study. Even a cursory review showed that there was already a pattern of specialization. If a sharing of the educational load could be systematically planned and executed on a regional basis, superior programs could be developed more rapidly than if every state and university attempted to meet all of its needs. Regional programs are particularly suitable in programs of comparatively high cost, narrow specialization, and limited student demand. It was a propitious time to explore and develop regional arrangements; southern universities, for the most part lagging in graduate and professional education, were beginning to expand with great speed.

The universities of the region have had some experience in cooperation. For example, for several years Texas, Tulane, Vanderbilt, and North Carolina Universities have cooperated in Latin-American studies in order to avoid competition for library materials, faculty, and students and to share in research and seminar projects. The Universities of Alabama, Kentucky, and Tennessee have a program of training in public administration in which students do one quarter of work at each of the three schools under the guidance of an educational director who works under the supervision of a joint committee. Several universities offer programs of advanced study in fields in which other universities would not generally be interested because of the expense and specialization—such as pulp and paper, experimental statistics, and sugar chemistry. These universities are performing a regional

<sup>1</sup> The compact was submitted to Congress in 1948 and approved by the House of Representatives. In the Senate it was contended that the compact did not require congressional consent because the Constitution reserves to the states power over education. The joint resolution was sent back to the Committee on the Judiciary, which had reported it favorably, to consider whether it needed congressional consent. The resolution did not emerge from the committee a second time. The Supreme Court has held in *Wharton v. Wise* (153 U.S. 155) that an interstate compact does not require ratification where "its execution could in no respect encroach upon or weaken the general authority of Congress." Since education is generally accepted as a responsibility of the states, the compact states are assuming that the regional compact does not "increase the political power of the states in such a manner as to encroach upon, weaken, or interfere with the just supremacy of the United States." (Millard Caldwell, "Legal Aspects of the Regional Plan for Higher Education," 6 *Higher Education* 104, January 1, 1950).

The states cooperating in the enterprise are Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia.

service without systematic support from the region.

#### *Organization of the Program*

THROUGH the interstate compact the fourteen southern states have formed a geographical district or region consisting of the areas lying within their boundaries as "an area for regional education" and have established a Southern Regional Education Board composed of the Governor and three appointees of the Governor from each state to develop regional services in professional and graduate education.<sup>2</sup> The Board meets annually. Its Executive Committee, which consists of not less than one member of the Board from each state, meets on call and exercises all of the powers of the Board during the intervals between the meetings of the Board.

The compact authorizes the Board to provide regional services in professional and graduate education through the "development, establishment, acquisition, operation and maintenance of educational schools and institutions" or through the development of "agreements or arrangements with any of the states and with educational institutions or agencies." As a matter of policy, the Board has decided that it should establish and operate regional facilities only when no existing institution can satisfactorily provide them under a system of regional collaboration. This decision has put the Board in an effective position to assist states and universities in the development of their own programs. It makes clear the fact that the Regional Education Program is designed to supplement and strengthen, rather than to displace, existing programs.

This policy was applied to the segregation question when it arose. When the Senate debated the compact in 1948, the fear was expressed that, although the compact did not

mention segregation, the program would be used to perpetuate segregation and that congressional consent would lend federal endorsement to segregated education. In 1949, Esther McCready, a Negro citizen of Maryland, sued the University of Maryland for admission to its school of nursing. The state of Maryland used as its defense the fact that it had made arrangements under the regional plan whereby the petitioner could obtain training in Meharry Medical College, Nashville, Tennessee. The Southern Regional Education Board intervened as a friend of the court and stated:

The Board's position is that it shall make regional arrangements to supplement facilities within the states. It is not the purpose of the Board that the regional compact and the contracts-for-services thereunder shall serve any state as a legal defense for avoiding responsibilities established under the existing State and Federal laws and court decisions.

The Baltimore City Court upheld the University's position, but the Maryland Court of Appeals reversed the City Court, saying "obviously no compact or contract can extend the territorial boundaries or the sovereignty of the State of Maryland to Nashville." The U. S. Supreme Court refused to review this decision.

To carry on its program the Southern Regional Education Board has appointed a director, and has given him the duties of selecting staff, recommending policies and programs, and developing and executing the Board's functions. The staff now consists of sixteen persons, including the director and three full-time consultants for professional programs, graduate programs, and university-agency relations. The staff is financed by state appropriations, supplemented from time to time by foundation grants. The staff serves as a clearinghouse for information on regionally significant activities, provides facilities for the assessment of needs and opportunities in regional education, provides administrative and fiscal services to regional programs, and performs research and consultative functions.

Committees composed of university, government, professional, and business leaders explore potential regional programs and their analyses and suggestions are the bases for the formulation of specific arrangements by the

<sup>2</sup> The original compact provided for a Board of three representatives from each state; it was amended in 1948 to provide for four representatives. Eleven of the fourteen Governors have appointed a Negro to the Board. Members appointed by the Governor hold office for a period of four years. The Board has the right to formulate and adopt its by-laws, appoint an executive committee, and elect as its chairman a person who is not a member of the Board, provided he resides within a signatory state.

universities. Programs presented to the Board are developed by those who will carry them out. If appropriations to support approved programs are required from some or all of the state legislatures, the recommendations are made by the appropriate state officials with the assistance of the Board.

#### *Principles Guiding the Program's Development*

THE principles that guide the establishment and conduct of regional programs are the product of experience and of full consideration by educational and professional leaders who have worked on commissions and in conferences with the Board.<sup>3</sup> They may be summarized as follows:

1. A regional program is planned so as to develop a higher quality or a greater availability of instruction, research, and service in a particular field than could be provided otherwise. Consideration is given to the ways in which it will serve the region, to growth in the quality of the program, and to the interests and potential contributions of the several states and institutions.

2. A regional program takes one or a combination of forms: for example, contracts in which institutions provide for out-of-state students for which their states pay; a joint program in which two or more colleges or universities participate to serve the region or a part of the region; a program conducted by one institution for the region or a part of the region.

3. In the development of regional programs emphasis is placed upon those which take advantage of the largest possible number of favorable factors and therefore have the greatest prospect of achieving distinction and service. These factors include interests, needs, and opportunities of the region; interests and abilities of scholars and groups of scholars and quality of library and laboratory resources; breadth of interest within and among institutions; interests and demands of students; location of governmental and industrial installations which offer unusual opportunities for instruction, research, and service; geographic and cultural environments which provide unusual opportunities; and inter-institutional relationships which reduce

unnecessary duplication and competition and strengthen a particular program.

4. A regional program is developed cooperatively by the institutions, the states, and the Board. Regional programs have vitality only as the institutions, the states, and the Board share understanding of them. They are not based on administrative authority of one state over another, of one institution over another, or of the Board over either states or institutions.

5. The development of regional programs depends upon the active participation of the institutions. The Board assists institutions to determine opportunities for regional programs, but their development depends upon action by the institutions.

6. The Board is an instrumentality for discovering needs and developing opportunities for regional programs and providing ways in which institutions can organize and administer them. The Board helps to judge the soundness and feasibility of a proposed regional program and provides an opportunity to interested institutions and states to participate in the planning of regional programs. It can make known the needs of the South and recommend the financial support and the constructive economies involved in regional programs.

7. The Board, representing the compact states, recommends to the several states and institutions steps whereby the opportunities offered by the regional programs may be made available to their students.

8. A regional program is recognized through contracts or memorandums of agreement. A memorandum of agreement sets forth the basis for a regional program and the contributions expected from the parties to it.

9. The Board joins a public or a private institution or a group of institutions in securing additional support for a regional program from legislatures, government agencies, industry, foundations, and private donors. It also develops opportunities for institutions to supplement their staffs and facilities through the use of the staffs and facilities of various agencies.

#### *The Formulation of Regional Programs*

THE first regional service which the Board undertook was for the transfer of funds from states desiring training for students in certain professional fields in which they did not have facilities to institutions which could provide them. The transfer was accomplished through contracts between the Board and the states on the one hand and between the Board and the institutions on the other. Contracts

<sup>3</sup> Southern Regional Education Board, *Regional Programs in Professional and Graduate Education—Principles and Procedures* (Atlanta, Georgia, February, 1952).

in medicine, dentistry, veterinary medicine, and social work will, during 1951-52, provide places for 583 white and 267 Negro students from thirteen of the fourteen states. The states are paying over one million dollars to the schools admitting these students. Of the nineteen universities under contract, eight are private and eleven public; three are predominately for Negroes and sixteen are predominately for white students.<sup>4</sup>

Each of the programs in these four professional fields was developed under the guidance of a commission appointed by the Board. The commission surveyed the needs of the states and the available institutional facilities and arranged for the states and universities to work out quotas and selection and admission policies and procedures. The Board developed recommendations from the commission's reports, upon the basis of which the legislatures of the several states appropriated the necessary funds.

The value of the contract-for-service method has been well demonstrated by the experience of the past three years. States contracting for services have provided students opportunities that they had been denied and have relieved themselves of pressures for the establishment of professional schools. With the additional funds existing schools have been able to strengthen their faculties and facilities. The contract-for-service method is particularly applicable to high-cost fields where there has been pressure to confine admissions to within-state students.

The first regional program sponsored by the Board which does not involve a transfer of funds is in forestry training, research, and service. The six universities of the region which have accredited schools of forestry have entered into an agreement with one another and with the Board to meet periodically for the purpose of planning their programs so that they will be more effectively supplemen-

tary and so that together they may meet more adequately the needs of the region. This arrangement is attractive to the six universities because faculty and students have access to the resources of all of the cooperating universities and each institution can therefore enrich its program without the expense of adding highly specialized facilities. It should be attractive to other institutions of the region because they will not need to undertake forestry programs unless they can make a special contribution.

Regional programs are now being formulated in about twenty additional fields, including the marine sciences, city planning, petroleum sciences, government, nursing, public health, recreation, pulp and paper technology, and Latin-American relations. Needs for regional arrangements in these fields have been identified by the universities or by groups engaged in teaching and research. The number and nature of steps taken to explore and develop suggestions for these programs will vary. The program in forestry grew out of the work of a commission composed of university, government, and private agency representatives, appointed by the Board's director. That commission accumulated and analyzed information about needs for research, service, and training in forestry to develop the region's forest resources. The representatives of the six universities which offer accredited programs in forestry used the commissioner's report as the basis for developing a regional arrangement.

The formulation of a program in city planning is proceeding somewhat differently. As a result of informal discussions, the three schools in the region that offer a graduate degree in city planning are entering into a memorandum of agreement along the lines of the arrangements in forestry. Concurrently they are drafting a statement of research, instruction, and service activities which can be handled on a regional basis to help cities, states, and other universities to deal more effectively with the problems of rapid urbanization. That statement will be considered widely by institutions and agencies before it is presented to the Southern Regional Education Board and put into operation.

In the field of government research and instruction, the Southern Political Science As-

<sup>4</sup>The institutions are A. & M. of Texas, Alabama Polytechnic Institute, Atlanta University, Duke University, Emory University, Florida State University, Louisiana State University, Loyola University, Medical College of Alabama, Medical College of Virginia, Meharry Medical College, Oklahoma A. & M. College, Tulane University, Tuskegee Institute, University of Georgia, University of Maryland, University of South Carolina, University of Tennessee, and Vanderbilt University.



sociation, the Regional Public Administration Group, and the Southern Regional Education Board have formed a steering committee to appoint a study committee and director to explore possibilities. The report and recommendations will be transmitted to universities for their use in planning programs that will more adequately serve the region.

Plans for regional programs which are developed by the institutions and the Board are presented to an appropriate committee for review and to the presidents of the participating institutions for approval. After approval, the plans are incorporated in memorandums of agreement or contracts expressing the relationships among the parties. A memorandum of agreement incorporates provisions on the purposes and methods of the particular program, the obligations of each party, and the termination of the agreement.

In a memorandum of agreement the institution undertakes to:

1. Accelerate the strengthening of the part of its program which comes under the developmental plan.
2. Collaborate with other institutions and the Board in activities designed to make its facilities more effectively available to institutions and citizens of other states.
3. Include in its catalog descriptions of the opportunities for students in the regional program.
4. Consider the needs of the region and the activities and plans of other institutions in reaching decisions affecting the field of the regional program.
5. Participate in the administration of the regional program.
6. Join with the Board and the cooperating institutions in periodically appraising the adequacy of the plans and their execution, recognizing that the building of strength in a regional program is a gradual process in which each of the foregoing steps is involved and in which the development of supporting and associated disciplines is essential.

The Board undertakes to:

1. Provide secretariat, consultative, and research services as needed in formulating and executing the plan.
2. Assist the institutions upon request in obtaining additional support from legislatures, foundations, industry, government, and private donors to establish and strengthen the program undertaken in accordance with the regional plan.

3. Publicize the regional plan and join with the institutions to secure recognition and support for the programs conducted in accordance with it.

4. Assemble and provide information regarding opportunities for research contracts and otherwise assist with the development of relationships with industry and government.

5. Advise concerning and assist in executing supplementary memorandums of agreement or other instruments which may be needed to clarify the benefits from and contributions to the regional program on the part of the participating states and institutions.

#### *Implications for Public Administration*

THE Southern Regional Education Program has begun to demonstrate benefits to the universities, the states, and the region. The states are recognizing and supporting university work in fields of special interest to the universities and the region, and the universities are making their research and study facilities systematically available to other states and universities. Benefits are forthcoming, however, only as the universities abandon their traditional tendency to attempt graduate and professional programs indiscriminately, regardless of specialization and expense and of the programs developed by their neighbors. The regional program offers a method and an incentive to get a greater return on the educational dollar, not through reducing expenditures for graduate and professional education but through spending the increasing sums needed in the South in the most effective manner. Through the regional program states can provide better opportunities for their students, and the region can benefit from more highly-trained men and women and from more adequate research and development facilities.

The governors of the western states and territories, meeting in Salt Lake City on November 7 and 8, 1949, endorsed the principle of close interstate cooperation in higher education for their region. A portion of the resolution they adopted states:

That all of the states individually and alone do not have sufficient numbers of potential students to warrant the establishment and maintenance of adequate facilities in all of the essential fields of technical, professional and graduate training; nor do all of the states have the financial ability to furnish

within their borders institutions capable of providing acceptable standards of training in all of the fields mentioned above;

That the western states, or groups of such states within the region, cooperatively can provide acceptable and efficient educational facilities to meet the needs of the region and of the students thereof.

The Western Governors' Conference believes that a cooperative plan among the western states is necessary and desirable and should be developed to provide more extensive facilities and training for the students of this region.<sup>4</sup>

Since that conference, an interstate compact has been drafted for the establishment of a Western Interstate Commission for Higher Education. The several legislatures are in the process of considering the compact and appropriating funds to support a central office.

New England also is seriously considering the possible services and benefits of an interstate compact in higher education. Several governors and university leaders in that area have studied the experience of the Southern Regional Education Board.

The prospective development of a series of regional programs has important implications. At the present time government, industry, and the universities are competing for scarce personnel, equipment, and research facilities. A large proportion of the research conducted by universities is financed by government and industry, and the universities are competing with one another for these grants. As a result of these various kinds of competition with government, the universities generally are lessening their ability to improve training and research in advanced fields and noneducational agencies are taking on an undesirable—and probably unwanted—burden of educational coordination and decision making.

A regional program in a specialized graduate or professional field, representing the best judgment and the efforts of several universities and undertaken with the backing of the region's educational and political forces, pro-

vides a means by which universities can recapture a proper share in the determination of educational program and policy. A regional program should give assurance to government and industry that an effective and responsible organization exists to share with them the development of needed educational and research facilities in fields of common interest. It should also provide the machinery for the coordination now needed in the use of the limited number of scientists and scholars, in the training of others, and in the performance of needed research.

These implications are of immediate importance in view of the rapid development of industry and of industrial and governmental research centers in the several regions. In the aeronautical and related sciences, as one example, several of the world's most important governmental research and development centers are now located in southern states. The aeronautics industry is expanding in the South at an amazing rate. These establishments require more scientists than can be secured; their programs involve research projects which go begging for lack of capacity. By relating their interests and facilities, government, industry, and the universities of the region can all plan and conduct their research programs more effectively.

Universities may well play a larger role in regional development by virtue of their relationships in a series of regional graduate and professional programs. As the Tennessee Valley Authority has so well demonstrated, many phases of social and economic development are regional in nature. The federal government has been reasonably energetic and effective in organizing itself to deal with regional problems on a regional basis. The Southern Regional Education Program provides administrative and fiscal facilities that make it possible for universities to cooperate more effectively with state and federal agencies in the research and development programs to meet regional needs. It provides the universities with the opportunity to serve the people of the region more adequately by cooperating to exercise leadership in the research and development programs which can mean so much to the region's growth.

<sup>4</sup> *Western Regional Cooperation in Higher Education* (Chicago: Council of State Governments, 1951). Governors were present from Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming, Alaska, and Hawaii.

## Agriculture's "Lockup"

**I**F THE wife of a Department of Agriculture statistician telephones her husband's office and is told he is in the "lockup," she never bats an eye. She knows her husband and three score others who work on crop and livestock estimates in the Bureau of Agricultural Economics are locked up—completely separated from the outside world—while they prepare the current report.

Crop and livestock reports issued periodically by the Department's Crop Reporting Board provide essential information for farmers, businessmen, others who buy and sell, and those who plan and forecast future supplies of food, feed, and fiber. Many of these reports have a strong bearing on the speculative markets, and they have to be prepared with utmost secrecy. Because of vagaries of the weather and other conditions in the growing season, crop production prospects change from month to month. Several forecasts or estimates are therefore made during the season.

None of the many thousand crop-condition statements mailed each month to state offices from local crop reporters, taken singly, would have any effect upon the commodity markets, even if it did fall into the hands of an unauthorized person. Nor would one of the state reports that sum up these individual reports be likely to influence the market very much. But when all the indicators from all over the country are put together in Washington in one report, together with certain computations based on experience, the result is a scientific estimate of the size of the crop. If the estimate for a speculative crop, such as corn, wheat, or cotton, leaked out in advance of release it would enable the persons receiving the tip to manipulate the market to their advantage and to the disadvantage of the farmer and the consuming public.

Reports from the field on speculative crops

NOTE: Prepared for *Public Administration Review* by the Bureau of Agricultural Economics.

come to Washington in sealed envelopes. As they come in, they are placed in a locked mailbox in the office of the Secretary of Agriculture. The box can be unlocked with only two keys—one held by the Secretary or his representative, and the other by the chairman of the Crop Reporting Board. On the day of the crop report, representatives of the Secretary and the chairman, accompanied by an armed guard, unlock the box, collect the field reports, and carry them to the board room.

All contact between the board and the outside world is cut off during the preparation of the report. The doors at each end of the corridor from which the crop reporting rooms open are locked, and guards keep anyone inside the lockup from coming out and anyone without a pass from going in. Whoever is inside when the board meets or comes in later must remain until the hour set for the release of the report to the public—11:00 A.M. for cotton reports, 12:00 noon for livestock, and 3:00 P.M. for price and general crop reports. The venetian blinds in every room are locked shut and sealed by a special sealing device. Telephone and telegraph connections are broken. All who work on these reports are subject to a heavy fine or imprisonment, or both, for premature disclosure of crop information.

The Secretary of Agriculture enters the lockup shortly before the release hour to sign the report. Then the board chairman, flanked by two guards, carries copies of the report to a room outside the lockup equipped with complete communication facilities. Here press and radio reporters toe a line until, as the hour strikes, the word "Go!" sends them on the jump to telephones connected with their offices. Messengers wait for mimeographed copies of the report to be rushed to interested people and agencies. Department telegraph operators put the report on the wires. Thus, press and radio soon flash around the world up-to-the-minute news on the agricultural situation in the United States.

# Reviews of Books and Documents

## Some Reflections on Administrative History

By Charles M. Wiltse, National Production Authority

THE JEFFERSONIANS, by Leonard D. White. Macmillan, 1951. Pp. 572. \$6.00.

NATIONS, it is said, reach maturity only when they become conscious of their history. If the same rule holds for disciplines, then public administration has finally come of age. In *The Jeffersonians* Professor Leonard D. White continues competently and lucidly the administrative history he began with *The Federalists*, published in 1948. The two volumes together constitute a pioneer effort which is as challenging as it is informative.

### I

THE historical approach probably reveals more clearly than any other the difficulties that await those who would deal with public administration apart from the political context in which it functions. *The Federalists* to a considerable degree and *The Jeffersonians* in even greater measure underline in fact a relationship between administration and basic constitutional, political, and economic issues which makes it impossible to understand the one without adequate knowledge of the others. In *The Federalists* Professor White committed himself to the narrower view. "These great constitutional and political issues," he wrote with reference to the emerging conflict between state and federal jurisdictions, "are beyond the subject matter of this study." Fortunately he did not adhere strictly to his own delimitation, and his work is more valuable than it would otherwise have been.

*The Jeffersonians* covers in time span one of the most important and most fascinating periods in American history. Between March 4, 1801, when the tall, loose-jointed Virginia planter who symbolized the worth and integrity of the common man was inaugurated as

third President of the United States and March 4, 1829, when learned, irascible, and politically inept John Quincy Adams reluctantly surrendered the White House to Andrew Jackson, the changes—social, economic, political, and even physical—were enormous. In that single generation a population of some five millions sprawled along the coastal plain had expanded to more than twelve millions. Eight states had been added to the sixteen that voted in the election of 1800, most of them west of the mountains and one of them west of the Mississippi. The continent itself had been crossed and an outpost established on the Pacific. The territorial extent of the country had more than doubled, and the national wealth had proportionately increased.

Under the compulsion of Jefferson's embargo and of "Mr. Madison's war" the commercial wealth of New England was reinvested in manufacturing enterprises. The separatism of 1814 became the triumphant nationalism that enacted the tariffs of 1824 and 1828. In a single generation a maritime people, living by trade and oriented toward Europe, turned to industrial self-sufficiency and moved to close by law the very trade that had created its first strength. The agricultural South, with its dependence on foreign markets for the products of its slave-tilled soil, saw its own potential ruin at the hands of a government dominated by industrialism, and sectional cleavages were intensified.

Any discussion of the Jeffersonian concept of the Presidency, the Cabinet, and the whole administrative system in the period under discussion can be meaningful only against the background of this growing sectional divergence of interest. Not only the functions of government, but the way they were carried out

and the purposes they were to achieve were conditioned by the forces of westward expansion and by the rising tension between North and South.

## II

PROFESSOR WHITE tends to draw a distinction between the Federalist and Jeffersonian periods in terms of the theoretical approach of each group toward the administrative process. The Federalists, he tells us, believed in executive supremacy whereas the Republicans, as the Jeffersonians called themselves, believed in the supremacy of the elected legislature. Neither of these generalizations is more than superficially correct. Alexander Hamilton, who is singled out for the highest individual praise accorded by Professor White to any early American statesman, undoubtedly believed in executive supremacy. So, also, but to a lesser extent, did Washington and Adams; but so, too, did Jefferson, Madison, Monroe, and the younger Adams, whose terms collectively constitute the subject matter of *The Jeffersonians*.

There were, to be sure, differences in degree, symbolized by the character of the given Congress and the qualities of leadership of the incumbent in the White House. Jefferson paid lip service to legislative supremacy but consistently imposed a strong executive leadership upon the Congress. Programs originated with the Executive and the role of Congress was largely confined to debating details. Madison tried to follow in the footsteps of his friend and predecessor but Madison's very genuine genius was that of scholar and individual persuader rather than of party leader. He faced, moreover, before his first term was over, a Congress such as the country had not seen before. With the coming of the young War Hawks late in 1811, a period of congressional dominance began, not through any theoretical consideration but because a widespread popular reaction against temporizing policies had packed the Congress with abler men than most of those in the executive departments.

In the end it was the character and qualities of individual men, and the nature of the political and economic forces that pushed them forward, rather than any theory of administration or of government that made the differ-

ence between the Federalist and the Jeffersonian periods. The speakership of the House during Jefferson's time was an administrative arm: in effect an adjunct of the Presidency. In Madison's time the speakership, in the hands of Henry Clay, was probably the most powerful office in the government and one with which a relatively weak President was wholly unable to come to grips. For half a dozen years the speaker and his hand-picked committees rode roughshod over the Executive, making policy and prescribing the rules for its administration.

Under Monroe a repetition of Madison's second term was avoided only by a fortunate combination of circumstances. Monroe surrounded himself with perhaps the ablest Cabinet that any President had ever had—a Cabinet every member of which was of presidential stature and every member of which, at one time or another, was an active presidential candidate. At the same time the dominance of the speakership was vitiated by the rise of factions within the Republican party. It was at this time that the Federalists for all practical purposes ceased to exist and the virtually unanimous Republicans broke down into three, four, and sometimes five or six squabbling groups.

The younger Adams achieved the Presidency by merging his own political following with one of the splinter parties contesting for control of Congress, and it was therefore inevitable that the other Republican factions would coalesce in opposition. Adams himself, able and intelligent though he was, lacked the qualities of political leadership. He was unable to prevent the opposing groups, which rallied around Jackson and began to call themselves Democrats, from gaining the upper hand. So Congress again assumed the dominant role, not because legislative supremacy was basic to Jeffersonian theory but because the President was weak and the congressional leadership was strong.

The primary elements of contact between executive and legislative branches worked both ways. The party caucus, when the President was strong, was an effective device for carrying an administration program through Congress. When the President was politically



weak the caucus was turned against him, or abandoned altogether. Congressional calls for information from the executive departments were often, as Professor White suggests, actually inspired by the departments and served a useful administrative purpose. But they could also be and frequently were deliberate harassing actions aimed at particular Cabinet members or at the President. There are many instances in both Federalist and Jeffersonian periods of close collaboration between the executive departments and the Congress in the drafting of legislation; but there are other cases in which the two branches were at opposite poles. Jeffersonian theory leaned a little farther toward legislative supremacy, perhaps, than did the concept of the Federalists; but even in Jeffersonian theory it was always legislative supremacy under executive leadership.

### III

IN OTHER respects, too, Professor White concedes in spite of his premises that personality may be more important for administration than theory. Each of the executive departments in the formative years of the Republic received form and content and direction from one Secretary; and surprisingly to those who have been taught to look upon the Federalists as the great administrators, only one of those dominant Secretaries was of that party. There can be no quarrel with Professor White's judgment that the Treasury was the creation of Alexander Hamilton, or with his conclusion that Albert Gallatin, who presided over the same department for more than a dozen years, was the dominant administrative figure in the Jeffersonian period. Aside from the Treasury, however, the great names associated with the executive departments were the names of Monroe's Cabinet.

The administrative achievements of Monroe's two terms of office well deserve the careful study Professor White has given them, and the genius of the individuals concerned should not be minimized. Adams made of the State Department for the first time something resembling a true ministry of foreign affairs. Under Calhoun the War Department emerged from chaos, debt, and corruption to become one of the best managed war offices in the

world. The Navy, under Thompson and Southard, moved out of the coastal waters and tidal rivers whence Jefferson had consigned it and became a smoothly functioning organization, fit for any mission of war or peace. The office of the Attorney General under William Wirt became, for the first time, something beyond a mere consulting counsel to the government and moved, however tentatively, toward true departmental status. The Post Office under John McLean not only expanded enormously its coverage and services but materially reduced both costs and losses and greatly speeded the carrying of the mails.

We must look beyond the personal qualities and the political philosophies of the Secretaries concerned, however, if we are to understand the significant improvements in administrative practices that took place between 1817 and 1825. These men were partisans, ambitious, each of them, in his own right. Rivals for political preferment though they often were, it was to the advantage of each of them to be associated with a successful administration, and so for the most part they supported common policies. Yet each was also keenly aware of the forces of growth and change, each had his own sectional ties, and each moved in his own way to advance what seemed to him the best interest of the country. Let us look more closely at the achievements of Monroe's Cabinet in the light of the historic circumstances.

By modern standards, John Quincy Adams was probably not a good administrator. Perfectionist to the core, he delegated little and personally performed far too great a portion of the work of his office. The State Department became in his hands the focal point for the development of foreign policy through no special administrative talents of his own but because the close of the Napoleonic wars gave Europe time to meddle in American affairs. By training, intelligence, and long familiarity with the European world, Adams was fitted as few men were to cope with the aftermath of the Congress of Vienna and with the international implications of American expansion, but it was the problems as much as it was the man that accounted for the administrative growth of the department. Oregon and Maine, Florida and Texas, posed international issues,

while the revolt of Latin America, with the accompanying threat of intervention, elicited the Monroe Doctrine.

In the War Department Calhoun both understood and carried out the principles of delegation, boasting before his term was over that his department virtually ran itself. The functional or bureau type of organization was his contribution, and was the model for similar reconstruction in both Post Office and Navy Departments. Here again, however, the administrative achievements of the department were not so much the product of individual genius or of sound theory as they were the outgrowth of problems that had to be mastered. The system of coastal fortifications grew out of the bitter experience of the War of 1812, and the Pension Bureau was set up because of a sudden solicitude for veterans on the part of Congress. The enlargement and realignment of the General Staff and the complete reorganization of the Army supply system were both by-products of national growth. The military frontier was pushed 300 miles to the West at the same time that the Army was reduced in size. Military posts were as remote as Tampa Bay, Council Bluffs, and Sault Sainte Marie in a day when transportation by water was slow and uncertain and roads beyond the rim of settlement were nonexistent. Neither the system of supply nor the system of command was equal to the problem of distance. The administrative abilities of the Secretary were an important factor, but without the challenge they would never have been called into play.

Equally important was the contribution of William H. Crawford, Monroe's Secretary of the Treasury, who is passed over lightly by Professor White. It is true that the Treasury Department was well organized and established by Crawford's time. He had no basic organizational problems and had the rare advantage of taking over a going concern. What he did with it, however, was of far-reaching significance. The Second Bank of the United States came into existence simultaneously with Crawford's incumbency in the Treasury and the relationship between the Treasury and the Bank made up the core of the administrative problem, so far as national finances were con-

cerned, for the next quarter century. The familiar currency of the West was notes of hand, and Western capital was bank paper, secured by land the value of which appreciated year by year as the tide of settlement moved on. In the South the security was cotton, stored in warehouses or still to be grown, but the practice was the same. It was a practice that Crawford understood, and more than once he stretched the authority of the Treasury in the interest of West and South when the country was engulfed in depression between 1818 and 1821 and the Bank of the United States decreed contraction.

#### IV

IT WAS also William H. Crawford, builder and master of the first national political machine in American history, who fully realized the political potentialities of the Treasury. Professor White tends to minimize, indeed he seems almost to dismiss, the question of patronage as a factor in administration in the Jeffersonian period, yet it was in many ways decisive. The Tenure of Office Act of 1820 was no forerunner of the merit system but a shrewdly devised and powerful instrument by which Crawford meant to assure his own election to the Presidency in 1824. Had he not been removed from the running by ill health, the political engine he had molded around customs collectors, land agents, and other Treasury personnel would undoubtedly have carried him to victory. As it was, the machine he built was a decisive factor in electing Jackson four years later.

Professor White unwittingly illustrates the point by calling attention to a proposal of Senator Ninian Edwards of Illinois. Edwards suggested that he and his colleague, Senator Thomas, should each be allowed to select two of the four land officers to be appointed in Illinois. Professor White quotes approvingly Crawford's reply that the proposition would be inadmissible since it would in fact "be a transfer of the right of nomination vested by the Constitution in the President to the Senators of the State." Had that been all, the position would have been well taken, but the truth was that by this date the practice was already well established for senators and con-

gressmen to suggest public officials for appointment by the President. The real point involved here was that Secretary Crawford was a candidate for the Presidency and Senator Thomas of Illinois was a Crawford man. Secretary of State Adams was also a candidate for the Presidency and Senator Edwards was at this time an Adams man. Since the offices belonged to the Treasury, it was clear that in the natural course of events all four would be Crawford supporters. Edwards' public interference was a shrewd move by which he hoped at least to split the patronage with his rival. The land offices, in short, were administered, as Professor White elsewhere tells us, very efficiently; but they were also administered in the political interests of the Secretary of the Treasury.

It was in Crawford's interest to avoid any mismanagement or abuse of power by officials responsible to him. He would, therefore, recommend to the President for appointment honest and efficient public servants. But it was also in his interest to build as large a following as possible among the voters and he saw no incompatibility nor, indeed, did any of his colleagues except possibly Adams, in combining the two objectives. There was no reason, in other words, why a land officer in Illinois could not be honest and upright in the discharge of his duty and still bring Crawford voters to the polls on election day. Men selected by Senator Thomas would have done just that. Men selected by Senator Edwards would have worked in Adams' interest.

The hostility of President Adams toward his own Postmaster General, John McLean, was not because McLean used the patronage of the Post Office Department to help elect Jackson, but because he did not use it to help re-elect Adams. McLean's motives probably had some bearing on a deferred presidential ambition of his own, but the incident illustrates the point. The uses of patronage in the administration of government were well known to all who participated in the period we are discussing and were frankly elaborated in the press and in private correspondence of the time.

Administration can be separated from policy no more than it can be separated from politics. If President and Cabinet did not

guide the administration of government toward achievement of a program, the party would not long remain in power. Professor White concedes that even Alexander Hamilton, whom he holds the best administrator of the formative years, consciously directed the public land policy with a view to raise revenue rather than to encourage settlement. Hamilton's own pet policy was to build a strong industrial nation and he was correct in believing that too low a value on the public lands would drain off the available supply of labor to the Western farms. In Monroe's time it was the same. Calhoun used the power and authority of the War Department to foster internal improvements—the roads and canals that would carry commerce far more often than they would carry troops. And Crawford guided the financial policies of the government to encourage the Western settlement that Hamilton had feared.

The character of the Cabinet, as Professor White agrees, is basically political, and the administrative actions of its members are necessarily conditioned by their political obligations and desires. Administrative determinations far reaching in their consequences were often made on frankly political grounds. Jefferson finally consented to repeal of the embargo because his inability to enforce it was hurting the prestige of the party. The War of 1812 was financed by borrowing and by the printing press because the Administration dared not ask Congress for a new national bank. Jackson's insubordination in Florida was condoned by Monroe on Adams' insistence that repudiation would render it more difficult for him to make a treaty with Spain. In short, public administration and public policy cannot be separated, except in the vacuum of the textbook. The making of policy is largely a political function, and administration at the primary level is the work of partisans. A good policy poorly administered is still better than a ruinous policy carried out with efficiency and dispatch.

## V

THROUGHOUT the Jeffersonian period the specter of sectional conflict was of dominant influence in determining the administra-

tive policies of the government. After the Missouri Compromise of 1820 the impending civil strife was uppermost in the minds of all far-seeing men. Each in his own way sought to reduce the cleavage and each, when he held authority, guided the policy within his control toward his own version of a peaceful settlement. The nationalistic policies of Adams, when he achieved the Presidency, were designed so to strengthen the federal government that a sectional conflict would be impossible. The opposition of Calhoun, then Vice President, was based on the conviction that national supremacy would be in fact the supremacy of the stronger section and the destruction of the weaker.

Indeed the conceptual differences between those who held that the Constitution had created a national state and those who held the Union to be a federation underlies virtually every phase of government activity for three-quarters of a century. The controversy flared up sharply toward the end of the Federalist period when Virginia and Kentucky repudiated the Alien and Sedition Acts. It came to a focus in 1814 when the Hartford Convention threatened to take New England out of the Union. The definitive terms of reference were fixed, however, in half a dozen leading cases decided by the Supreme Court during the Presidency of James Monroe. The *Dartmouth College* case, *Sturges v. Crowninshield*, and *McCulloch v. Maryland* were all decided in the February term of 1819. *Cohens v. Virginia* followed in 1821, after the issue had been re-stated more ominously in the Missouri Compromise; and in 1824 came *Gibbons v. Ogden* and *Osborn v. Bank of the United States*. In each of these cases, John Marshall found occasion to expound the dogma of national supremacy, with its unpalatable implications for the slaveholding South. When a Northern majority in Congress pursued the doctrine with the tariffs of 1824 and 1828, the stage was set for something like rebellion.

In the language of public administration the constitutional controversy resolved itself into one of state versus federal responsibility. In general the Federalists had upheld the national approach and the early Jeffersonians had favored state responsibility. By Monroe's

second term, however, the party lines on this issue were hopelessly crossed, with Adams taking the national position, Calhoun becoming the champion of the states. The Republican party itself was breaking down, and after Adams' inauguration it became in fact two parties—the National Republicans, who would eventually become Whigs, and the Jacksonians, or Democrats.

The very size of the country in those days of slow and inadequate communication gave plausibility to the state rights school. Washington was remote and even the state capitals seemed far away. Local government was an effective force, and the states in many respects were virtually autonomous. Professor White recognizes some of the problems created by the state-federal dualism, singling out for special treatment the case of the militia. He misses one essential point, however. The militia, from New England to the Gulf of Mexico, were regarded as state armies first and potential federal forces second, if at all. There was not a state in the Union before 1830 whose militia would not have fought against the United States Army if the Governor had so decreed.

So far as a valid distinction may be drawn, the Hamiltonian Federalists favored centralized administration while the Jeffersonian Republicans stood for a large measure of local autonomy. The states were the established instruments of local government, and so state rights and decentralization, before the railroad and the telegraph, meant much the same thing. Except along the Atlantic seaboard communication did not keep pace with growth. Rivers and canals were the major arteries of trade, and these favored New York, New Orleans, and a dozen other cities over Washington. The centers of commercial and economic life were more real to the average citizen than the national capital, and he was more likely to look closer home for the outward evidences of government.

## VI

SUCH criticisms as may be implied in the foregoing pages arise at least in part from the institutional approach adopted by Professor White. In *The Federalists*, for example,

the Treasury is treated in one connection, the State Department in another, and only after several chapters have intervened do we have the Hamilton-Jefferson feud, which was admittedly a determining influence in the division of functions between the two departments. The significance of political developments for administrative history tends to be overlooked by author and reader alike because they are discussed in different contexts and never shown in a causal relationship. Judgments of individuals made in terms of administrative skills alone give a distorted impression, as when Professor White allows his admiration for Hamilton the administrator to blind him to the destructive meddling of Hamilton the political intriguer with matters not of his concern.

In both volumes the apportionment of space seems to depend more upon the availability of sources than on the relative importance of the problems discussed. This is probably the reason for the undue emphasis given in *The Jeffersonians* to the embargo. It cannot, however, account for the complete omission of any discussion of the Second Bank of the United States. The bank was, after all, chartered by Congress and recognized by the courts as an instrumentality of the federal government. Its first president was a former Secretary of the Navy; its second, a former Speaker of the House; and its third president was in many ways the most important administrative figure of the era—Nicholas Biddle. But perhaps Professor White is reserving the bank until he moves on into the turbulent times of Andrew Jackson.

The faults of Professor White's work are faults common, perhaps, to specialized histories of all kinds, arising from the inherent difficulty in delimiting a field and distinguishing the relevant from the irrelevant. In general he has given us a careful, scholarly, and illuminating account of the development of public administration in the formative years of the government. He has shown us how the structure of each Cabinet department came to be what it was, how the revenues were col-

lected and dispersed, how government personnel were selected, and how the day-to-day operations of the government were carried on in an earlier and simpler age. *The Federalists* and *The Jeffersonians* will be widely read by students of public administration, and deservedly so. The caution remains, however, that administration does not and cannot exist in a void. The determining factors were not abstract ideas—theories of administration as Professor White would call them—derived from divergent philosophies of government; they were rather the economic and social developments of the time and the political facts of life, conditioned as they were and always will be by the characters and ambitions and desires of human beings.

To each problem as it arose men applied their native intelligence, their experience, their knowledge of how it was done in other countries and in other times. The Southern planter had long experience in administration because the management of a plantation was, in miniature, the management of a state. The New England merchant, in his sphere, had similar experience, because his ships sailed the seven seas and whether they brought him wealth or ruin depended in large measure on his skill in selecting cargoes and markets and in controlling the factors that entered into large-scale commercial transactions. Americans in these early days, in short, were just as skilled in administrative practices as any people anywhere, and they were just as ingenious in applying their experience to the problems of government.

The functions of government were less extensive in the early nineteenth century than they have since become, but society itself was less complex. The administrative job could be done with a relatively small corps of civil servants and with an organization uncomplicated by formal procedures and work-load surveys. The principles of "management" the Jeffersonians had yet to learn, but they understood as we perhaps do not that public administration cannot be divorced from policy or politics.



## Distinguishing Characteristics of Public Administration

By John J. Corson, McKinsey & Company

THE EXECUTIVE AT WORK, by Melvin T. Copeland. Harvard University Press, 1951. Pp. 270. \$3.75.

THE FUNDAMENTALS OF TOP MANAGEMENT, by Ralph Currier Davis. Harper & Brothers, 1951. Pp. 814. \$6.00.

MANAGERIAL ECONOMICS, by Joel Dean. Prentice Hall, 1951. Pp. 610. \$6.65.

ADMINISTRATIVE ACTION; THE TECHNIQUES OF ORGANIZATION AND MANAGEMENT, by William H. Newman. Prentice Hall, 1951. Pp. 468. \$6.35.

THE ART OF ADMINISTRATION, by Ordway Tead. McGraw-Hill Book Company, 1951. Pp. 208. \$3.75.

### I

PUBLIC administrators," Paul Appleby has written, "can learn a great deal by studying business administration—but not as much as most businessmen believe, and no more than business executives can learn by studying public administration!"<sup>1</sup> This statement implies that the processes of business administration and government administration have certain common characteristics. It also implies that an understanding of the dissimilarities between the tasks of administrators in business and in government may help each better to understand the process of administration.

If Appleby's statement holds water, and I have long contended that it does, these five volumes should suggest what public administrators can learn from the accumulated and organized experience of business administrators. Each of these volumes is concerned with the process of administration. Three of them break down the administrative process and analyze, in turn, the processes of planning, organizing, directing, and controlling. They debate the same concepts public administrators split hairs about—line, staff, decentralization, delegation, and coordination. And each

volume deals with the forces that condition executive decisions and the motives that spur administrators on. In short, the topics are familiar, but their treatment in these volumes makes one wonder how common are the characteristics of administration in business and in government.

In various terms each volume declares or implies that there is a distinct "administrative skill." Newman defines administration, for example, as "the guidance, leadership, and control of the efforts of a group of individuals toward some common goal." He illustrates the existence of "administrative ability" by the experience of business executives drawn into government service during World War II. Some drafted for work in the War Production Board and other temporary agencies

... couldn't get things done and they usually left Washington in a state of frustration and disgust. ... Other businessmen were highly successful in government work despite the fact that they were operating in an entirely new situation. They were able to size up the total problem, divide it into its parts, assign responsibility to various individuals, establish some system and rules of operation, and within a relatively short time have their division or branch functioning with a reasonable degree of efficiency. Some of these men were transferred once or twice to entirely separate activities and demonstrated the same ability in each instance. ... [They] had a knack, a "know-how," or a conscious knowledge of the processes of administration which they were able to transfer from one managerial situation to another. (p. 2)

This knack or "know-how," Newman points out, involves five basic processes: "(1) planning, (2) organizing, (3) assembling resources, (4) directing, and (5) controlling." (p. 3)

All this is familiar stuff to the practitioner of public administration. Writers on public administration use identical terms. But at this point the similarities between what these authors are describing and what the public administrator talks about tend to disappear. Similarities can be selected in the administrative process that these writers picture and in

<sup>1</sup> Paul Appleby, "Administration in Big Business," 5 *Public Administration Review* 255 (Summer, 1945).

the processes that make a public agency go. But these authors, in their concern with the private enterprise, and predominantly with the private business enterprise, emphasize the differences between business administration and public administration, not the similarities.

## II

THE public administrator who reads while he runs may find most of interest and value in Tead's *The Art of Administration*. From the other four books he must work harder to glean the analogies and the differences that are significant. Tead approaches the art of administration by focusing his attention, first, on the administrator and how he increases the happiness and well being of those whom he directs while simultaneously getting the job done. And his emphasis throughout is largely on the human personality.

An administrator, if he is to lead, must always bear in mind that every man is a whole man—a worker, but as well a citizen, a churchgoer, a parent, a union member, and a consumer. If the administrator is to lead, he must get across to those who work with him the aims of the organization in a manner to convince them of the consistency of these aims with their personal views and objectives. No perfunctory "meet the boss" indoctrination session will achieve this understanding. It will take time and effort to make clear to the workers the extra-profit-making objectives of the enterprise and to demonstrate the essentiality and the necessity of profits. Tead does not pursue this theme into the field of public administration. If he had, would he have concluded that the administrator's task of claiming the mind and the heart of the public employee is more or less difficult?

Having painted the role of the administrator, Tead turns to the process of administration. This he breaks down into conventional parts—production, finance, accounting, personnel, and coordination—and analyzes each part. Obviously, from what has been said, he lays special stress on the importance of the personnel function. He is critical of those who make of the personnel function a mechanistic process of hiring, firing, and training person-

nel. He seeks more than good techniques. The art of personnel administration, he would likely say, lies in breathing into a group of workers a sense of team play and real partnership.

Tead deals with many phases of the process of administration, but to relate here his views on each would be to risk losing sight of his special emphasis on the essentiality of the willing cooperation of individuals. This cooperation does not arise spontaneously; it is achieved only through thought and planning. He sees administration as a fine art expressed in and through human beings. He therefore examines the general problems and the specific aspects of administration with particular attention to personal power, authority, leadership, personnel work, collective cooperation, coordination, and the means of developing administrative ability.

The administrative process, as Tead pictures it, is no mechanistic complex of organization manuals, budgets, supervisors, procedures, efficiency ratings, and progress reports. Rather

... experience is well-nigh conclusive that *where friendly appeals are made by congenial and trusted leaders, where the attractiveness and importance of group goals are made clear, where group pride is built up, where the personal stake of each person in the group outcomes is clearly grasped by all, where the leader has a personal concern and solicitude for the integrity and promise of each member of his group—where this whole body of conditions is being realized, the resulting group behavior will be productive and happy to an optimum degree.* (p. 52)

The administrative process, as Tead visualizes it, is a vitally personal process conditioned by the social and cultural environment within which it is carried on. This is the strength, the contribution, even the beauty, of this book.

## III

THE title of William Newman's *Administrative Action* suggests, if not a similar approach to the administrative process, at least a dynamic approach. But what the title suggests, the subtitle, *The Techniques of Organization and Management*, denies. And, unfortunately, the subtitle better describes what the reader

finds. The volume is traditionally organized in five principal parts: planning, organizing, executive personnel, directing, and controlling.

Philosophically, Newman's approach is that of the Taylor School of scientific management. He takes the administrative process apart like one might a watch, and searchingly examines each wheel and spring. His analyses are clear and effectively stated. The result is a useful cataloging of accumulated knowledge and opinion on most phases and problems related to business administration. For the teacher of a course in administration in a graduate school of business administration or a school of commerce, this volume will provide a thoroughly useful text. For the junior executive who majored in philosophy or music during his college career and now finds himself in an administrative job, it offers a useful and informative reference.

But Newman's *Administrative Action* is not so stimulating or provocative as Tead's *Art*. One can set himself the task of reading fifty pages of this sort of book each evening, and when the fifty pages are read can look back and find he has accumulated knowledge neatly packaged by sections and subsections and readily digestible. Newman's writing is simpler and more straightforward, but much less thought provoking, than that of Tead.

#### IV

RALPH CURRIER DAVIS' *The Fundamentals of Top Management* is built along the same general pattern as Newman's *Administrative Action*. Like Newman's book, it is the brain child of a long-time student of business administration. Dr. Davis is professor of business organization at Ohio State University and the author of earlier volumes on industrial organization and management. Both books deal with the conventional breakdowns of administration and give the student an easy framework upon which to build his understanding of the theory and lore that exist. In contrast to Newman's volume, however, Davis' work is both exhaustive and exhausting. It contains more than eight hundred pages of well ordered detail, definition of terminology, and discus-

sion of principles. It is written in a dry, matter-of-fact style and with a forbidding vocabulary. It will serve well the instructor who wants to put his pupils through the paces and the business executive who wants a reference manual at hand.

But "give the Devil his due"! Despite its forbidding size and style, this volume shows admirable craftsmanship. It is copiously documented and includes an excellent bibliography of the literature of administration. It also contributes meaningfully to an understanding of top management.

Davis' focus is persistently on top management. He is concerned with the ways and means of building an organization structure that will insure that the business enterprise is run smoothly while the top management concentrates on its dual responsibilities—the making of a profit and the rendering of an economic service. But before discussing the day-to-day work of the top managers, Davis sets the tone of his work by four chapters, scattered through the first third of the book, on questions of "business policy." He recognizes the responsibility of private enterprise to set as its objective something more than the making of a profit; he ascribes to it a social responsibility. But the policies with which top management is concerned, as he sees it, are "manufacturing policies," "sales policies," "purchasing policies," and "financial policies."

Davis seldom rises to a consideration of (1) long-run economic policies which dictate, for the far-seeing executive, day-to-day manufacturing and financing policies or (2) the social impact of business pricing policies on wage and industrial relations policies.

Those of us who have spent our lives in public administration thinking of the impact of administrative policies on people's standards of living may expect too broad a view from the executive of private business. We who think about the impact of tax policies on the general purchasing power, or the effect of fluorination upon the dental health of a community's children, or the effect of social policies for the care of orphans on religious institutions, may be all too quick to condemn a preoccupation with policies focused on short-run profit possibilities. Dr. Davis never loses

sight of the necessity of profits for the survival of the independent enterprise.

In Davis' view, the tasks of top management are creative planning, professional organizing, and effective control. He distinguishes between the administrative and operational phases of top management. Administrative management concentrates on creative planning for the long run. Operational planning is concerned with the short pull and the day-to-day operating projects. But both, he emphasizes, require planning, in the sense of advance thought, and a well-considered organizational structure, if they are to be performed effectively.

Davis deals, in terms quite similar to those one might find in textbooks on public administration, with basic concepts of organization. He pictures neatly the nature of line and staff work and the role of each in organizational structure. He examines the advantages and disadvantages of centralization, decentralization, and delegation. He analyzes the use of technical specialization within a private organization and the need for coordinative staff, and adds an interesting discussion as to why business staff activities do not and should not parallel the use of "staff" in military organizations. I wish he had done a truly critical appraisal of the confused concept of "staff" in our major military organizations.

I wish, too, that we who are concerned with the problems of federal administration might have him examine the application of these basic concepts to the huge departments and bureaus of our national government. To a greater degree than ever before, sheer size is posing problems which, if they would but admit it, the architects of federal organization find utterly baffling. Are known organizational techniques and stratagems adequate to enable any one man to comprehend and effectively administer the affairs of the vast Mutual Security Agency or the huge Department of Defense? Is the concept of "staff" meaningful when applied to such agencies as the Munitions Board or the Research and Development Board of the Department of Defense? Or must the analysts discover a new concept which explains and justifies the use of such agencies at the uppermost level of an amorphous agency such as the Department of Defense?

Throughout his chapters on organization, Davis' approach to administration is mechanistic. There is little suggestion that, after all, administration is the process of getting a group of humans to work together toward a common end. In the last third of his book, however, he takes a more human approach. Two chapters on morale deal with what other authors would typically call the personnel function. Here he describes the functions of obtaining, retaining, and training personnel and of producing with them. He views these functions, however, wholly from the vantage point of morale. In this section he recognizes, as Tead so effectively does, the responsibility of top management to direct and carry on the administrative process with constant recognition of the people who make up the organization—not only their capabilities but also their aspirations as citizens, consumers, union members, and parents, as well as employees.

Curiously enough, Davis proceeds to a strikingly contrasting view of the responsibility of top management for control. He fails to follow up the theme developed in his discussion of morale to point out the responsibility of executive leadership for gaining participation by developing employee understanding of and respect for company policies and objectives. To Davis, "control" seems to have a dictatorial meaning; he writes of "direction," "constraint," and "regulation." Coordination, as a phase of control, becomes a mechanistic task of keeping each subordinate or each division in its place. There is little recognition of the coordinative values of communication and of the self-controlling and self-disciplining benefits of a full flow of information to employees at every hierarchical level.

## V

JOEL DEAN's *Managerial Economics* is concerned not with the organizational, coordinative, or directional aspects of administration, but, in his words, with "an economic approach to executive decisions, . . . it deals only with those phases of enterprise economics that strike me as particularly useful to the management of a large industrial corporation." (p. vii) The value of the book to this

consideration of administration is to suggest how much more exact and tangible can be the standards the private administrator has available to guide him in making decisions than are those the public administrator must consider.

I should think this book would be of great value to the thoughtful businessman. It is designed to make economic theory and analysis useful to top management for purposes of planning and decision making. Its author aims to help the businessman-administrator think through economic concepts of "profits," "competition," "cost," "advertising," "basic price," "product line pricing," "price differentials," and "capital budgeting." Mr. Dean treats only those topics which will be useful to the business manager and which can be dealt with in measurable terms. His purpose is to provide the businessman-administrator with a tool—economic analysis—which can yield more tangible standards and guides to enable him to cope with the many problems on which he must make decisions.

For example, Dean's work should make it easier for the manufacturer to use economic analysis in answering such pricing questions as: How should prices be modified with the stages of the business cycle? What are the limitations on the use of cost-plus pricing? What are the elements in fixing the prices for repair parts? In what ways should business pricing policies vary for different types of products in a long product line? And what factors must be considered before adopting cash discounts or geographic price differentials?

If one compares Dean's discussion of capital budgeting with sections of Verne Lewis' stimulating essay, "Toward a Theory of Budgeting," in the Winter, 1952, issue of this *Review*, the contrast in the forces that condition the decisions of the business administrator and the public administrator becomes increasingly clear. Dean endeavors to develop a theory to aid the businessman make decisions about capital investments for which he has no readily available measures of prospective profit. Lewis suggests how the public administrator arrives at budgetary decisions when he has available even less tangible and precise standards to guide him.

Dean's book will aid business administrators to cope with problems they must deal with in their jobs. It will help them to think more clearly about the vital planning and decision making aspects of their administrative responsibilities. Its only value to the public administrator is to demonstrate how different are many of the problems with which he must deal.

## VI

THE title of Copeland's book, *The Executive at Work*, suggests that the author pictures the administrator in action. The book raises a number of questions as to the executive's role in administration. It discusses the administrator's relations with his subordinates, particularly his top-level aides. It describes his responsibility for providing them with democratic leadership and for developing each for greater responsibilities. It stresses the administrator's responsibility for keeping the enterprise in motion, for giving direction and stimulation. It devotes a chapter to the administrator's motivations—his desire for prestige, outside interests, opportunities for achievement, and the prospect of retirement, as well as the immediate chance of gain. It treats of each of these topics in a casual, personal, anecdotal manner. This is not a scientific treatise; it is a book of reminiscences.

Copeland's little volume is simply a rehash of his experience. For more than thirty years this distinguished academe, now the George Baker Professor of Administration at the Harvard Graduate School of Business Administration, has had an unusual opportunity to observe business administrators in action. Here he recounts many of the incidents he has seen, but his recitals do not add up to a significant contribution to the literature of administration. In recounting at three or more points his experiences in the public service, Professor Copeland evaluates them from the point of view of the business administrator. He suggests that the administrative processes in government are inferior to those in business, and more the pity. He reveals how little he has thought of the processes of public administration when he recounts the lamentable experience of one businessman who gave generously of his time to the government, but who was



eventually forced out of public office because of criticism by the press which he had consistently refused to inform of his actions. Copeland's experience in the public service never taught him what James Forrestal wrote in a letter to a friend, "The difficulty of Government work is that it not only has to be well done, but the public has to be convinced that it is being well done. In other words, there is a necessity both for competence and exposition, and I hold it is extremely difficult to combine the two in the same person."<sup>2</sup>

Copeland's chapter, "Rewards of Management," makes manifest a major difference, if his evaluation is right, between the forces which spur on business and public administrators. This chapter deals with the range of executive salaries and with bonuses, pensions, and stock options as rewards needed to attract and hold the best executive ability. A single page is devoted to nonmonetary rewards! Contrast this analysis with the recent editorial admonition to Mr. Truman in *The Washington Post*, that he "would do well to remember . . . that there are considerations other than money that bring able men into the Government." The *Post* argued that many federal officials are attracted to the jobs they occupy by the excitement and influence which these jobs hold, the breadth of experience they offer, and the opportunity they provide to perform a constructive service for the common good.

<sup>2</sup> James Forrestal, *Diaries*, edited by Walter Millis and E. S. Duffield (Viking Press, 1951), p. 300.

## VII

IF A science of administration worthy of the name is to be developed, it will incorporate all that has been revealed by the study and practice of administration in each of these companion fields of business administration and public administration. Public administrators, I agree with Appleby, can learn a good deal by studying business administration. But public administrators must first learn more about the distinguishing peculiarities of their own trade. Such peculiarities include (1) the paucity of standards to guide the administrator, (2) the necessity for consistency in dealing with each citizen or client, (3) the high degree of accountability to the legislature, the press, the interest group, and the public required of the administrator, and (4) the advantages in motivating his staff that the public administrator derives from the nature of the vitally significant missions which many public agencies have.

These peculiarities, and others, distinguish public administration from business administration. They make utterly unrealistic the old aphorism that "what we need is more businesslike methods in government." They make fools of those management experts who would apply willy-nilly tried and proved business procedures and organizational plans to public administration. And the identification and thorough analysis of such distinguishing characteristics of the environment as these must precede further major advance in the evolution of a science of public administration.

## Get the Folks Out of the Mud!

By Charles E. Redfield, New York University and  
Edward A. Lutz, Cornell University

**NATIONAL TRANSPORTATION POLICY**, by Charles L. Dearing and Wilfred Owen. The Brookings Institution, 1949. Pp. 459. \$4.00.

**INTERGOVERNMENTAL RELATIONS IN HIGHWAYS**, by R. A. Gomez. (Number 2 in a series of research monographs on intergovernmental relations edited by William Anderson and Edward W. Weidner.) The University of Minnesota Press, 1950. Pp. 123. \$2.50.

**EFFECTIVE ADMINISTRATION IN STATE-CITY HIGHWAY ACTIVITY**, by Norman Hebden. Yale Bureau of Highway Traffic, 1951. Pp. 107. \$2.00.

**STATE-CITY RELATIONSHIPS IN HIGHWAY AFFAIRS**, by Norman Hebden and Wilbur S. Smith. Yale University Press, 1950. Pp. 230. \$4.00.

**TOLL ROADS AND THE PROBLEM OF HIGHWAY MODERNIZATION**, by Wilfred Owen and Charles L. Dearing. The Brookings Institution, 1951. Pp. 204. \$2.50.

SINCE the turn of the century the highway engineers have literally lifted the mass of auto-borne transportation out of the mud. Road and street *mileage* throughout the nation has not changed impressively during these years; the total now hovers around 3.3 million miles. But rural roads that were characteristically of dirt and gravel have given way to higher types; today there are 250,000 miles of high-type highway, and tremendous mileages of much improved roads. Many city streets, once narrow and lightly paved, now have the most expensive and highest type of construction. This revolutionary change is probably one of the greatest engineering achievements of all time. We should not overlook this fact amid the current hullabaloo raging on the highway front.

The good roads movement, which gained momentum during the years prior to World War I, was an effective force behind the first

great wave of highway improvements; these were accomplished in the face of bitter opposition from many sides. Evidence abounds that we are in another period of rising concern.

Construction and maintenance are still central features of any highway program, just as they were fifty years ago. But present-day highway administration is complicated by a vast range of related considerations that have become more acute with each passing year. These related issues, which have too long been thought of as simply peripheral, are now intertwined with construction and maintenance at every turn. Highway administration at mid-century is a complex business, and this complexity presents a challenge to highway administrators and engineers everywhere, as well as to a lot of other officials.

We can identify at least five areas of major interest and concern today. First is the matter of work methods, for highway administration is one of the important fields of intergovernmental activity and it is beset by the many procedural problems that seem to characterize all intergovernmental activities. Two related considerations are economics and public finance. One only needs to mention such items as the revived interest in toll roads and bridges, urban parkways that cost up to \$4 million a mile, and motor vehicle taxation to realize how economics and public finance interweave highway administration. Another consideration—one that was highlighted in the report of the Hoover Commission—is whether highways are essentially or solely public works or whether they fit into the broader context of transportation. Next is the twin problem of political expediency and public interest. This caption is not limited to the sometimes notorious political aspects of highway administration; it applies also to other factors, including the political aspects of professionalization. Last, we are concerned with the interrelationships between highways and community development. The role of the highway in causing shifts in population and in changing patterns of community

The authors wish to acknowledge the important help they received from Daniel B. Magraw of the Minnesota Department of Highways and Hugh Penn of the California Department of Public Works.

life has profound implications for community planning. These five areas of interest and concern will serve to outline our discussion of the several books here under review. These five areas give highway administration a breadth not foreseen by the early good-roaders.

#### *Work Methods*

**R**OAD building and maintenance occupy the attention of an impressive number of governmental agencies. Gomez found 2,718 of them concerned with roads in Minnesota. Highway agencies range from the Federal Bureau of Public Roads, chief representative of the national interest in highway administration and finance, to the smallest, most sparsely settled, organized township, where the maintenance of tertiary roads is one of the few remaining governmental responsibilities.

Road construction and maintenance is a major governmental activity by every measure. Expenditures in 1950 approximated \$4.25 billion, an all-time high. The total of permanent and temporary employees numbers in the hundreds of thousands. At both state and local levels highways compete with education and welfare for first place in terms of money spent.

The thousands of highway agencies and the millions of miles of roads and streets have certain common denominators. Highways form a connected network, although far from a perfect one. They are built and maintained predominantly for the operation of automobiles, trucks, and buses of standard dimensions. Construction and maintenance everywhere are influenced strongly, directly and indirectly, by the same professional engineering standards, methods, procedures, and attitudes.

Developments in highway finance have also tended to knit highway administration into a more nearly coordinated whole than is implied by a recital of the number of governmental units involved. Federal and state financial aid that may be used for highways and for no other purpose is authorized and appropriated in increasingly generous amounts. Highway-user revenues are segregated for highway purposes under mandatory state constitutional or statutory provisions in most states. As a result, we end up in effect with a financial "network" of federal-state-local and earmarked highway funds that tends to give highway administra-

tion a quite independent status. Here, then, is a governmental activity achieving in large degree in many geographic areas that elusive prize sought by all claimants on public funds—a fiscal independence within which professional aspirations can be pursued with a minimum of hindrance from competitors.

The many aspects of highway administration are carried out in accordance with a variety of often complex procedures. Some agencies are collecting funds, others are disbursing grants-in-aid, and by far the greatest number are actually building and maintaining roads. Federal aid operations illustrate the complexity of procedures. Highway systems must be designated; federal-aid funds must be allocated among states, apportioned to state programs, and assigned to specific construction projects; detailed plans and specifications must be agreed upon, state and federal funds earmarked, contracts awarded, and construction undertaken and inspected; monthly vouchers for each project must be checked, approved, and paid; and final vouchers must be checked, books audited, and final settlement made for each project. Throughout these processes federal consultation, inspection, auditing, and approval are required. There is a continuing federal inspection of state-local maintenance; for although federal funds cannot be used for maintenance, the law requires that federally aided roads be maintained adequately.

One purpose of the detailed federal procedures is to insure that the states pay their shares of construction costs, although most states have no trouble matching federal funds, which are modest in comparison with state and local expenditures. Is it worth all the procedures involved to claim federal aid for a multitude of minor expenditures aside from actual contract costs? In Minnesota, for example, contracts are initiated in the Department of Highways, approved by the Department of Administration, preaudited by the elected state auditor, and postaudited by the appointed public examiner. The federal government interposes three or four checks on payments as they occur, and then postaudits them, although it accepts CPA certifications of financial statements for tax and SEC purposes. These financial checks are paralleled by engineering inspections, even in states that have established their engineering com-

petence. State supervision of local highway administration, in both the financial and engineering aspects, varies throughout the country, but further comment must await the availability of more reports of state procedures such as the one so ably made by Gomez.

#### *Economics and Public Finance*

ENGINEERS are accustomed to talk in big numbers. Highway costs of more than \$4 billion in 1950 have been mentioned, of which more than half were incurred on the state highway systems, about one-fourth on local rural roads, and one-fifth on city and village streets. The 1950 figure is three times that of 1945 and more than half again as large as the previous peak recorded in 1938.

Estimates by engineers of nationwide needs for highway construction (as distinguished from maintenance), as cited by Owen and Dearing, call for an expenditure of \$5 billion per year. This compares with a capital outlay in 1950 of somewhat less than half this amount. Capital additions in 1950 most nearly approached estimated requirements on the state systems, and least on city streets. If the full deficiency is made available, the same writers suggest that at the end of a 10- or 15-year period highways will be brought "to acceptable standards for safe, convenient and economical transportation."

Applying the benefit theory of taxation to highways raises more problems today than when the highway-user taxes were first introduced at modest rates. As the disparity has grown among motor vehicles regarding weight, loads carried, and mileage and type of highway traveled, the measuring of relative benefits has become more intricate. The principal solutions developed to date are the toll, the ton-distance truck tax, and the differential registration fee, none of which is in any sense precise.

We are urged in weighing the pro's and con's of highway improvement to consider comparative over-all costs, and not simply those involved in highway construction. By over-all costs it is sometimes meant that costs of vehicle operation on different types of road surface should be added to those of highway development. It is possible, however, to use comparative costs in a much broader context. What are all the costs of providing access to sparsely settled areas of low utility even for agricultural

purposes? What are the costs of transportation via limited access highway on expensive rights-of-way compared with other alternatives?

Obtaining highway cost information is usually not easy. Even a simple total for a single governmental unit is often difficult to derive from financial reports, segregation of maintenance from construction is less frequently found, and unit-cost computations as related to significant variables are a rarity. Data of these types are needed for many geographic areas, for highways under many conditions and over substantial periods of time, in order to determine even approximately what kinds of roads are most economical under given conditions from the point of view both of initial construction and of maintenance.

Highway standards are not to be taken lightly. They probably represent the result of more experience and research than is the case for standards in many other public service areas. Nevertheless, engineers differ in the interpretation of experience and the evidence of research. In connection with the Gomez study several county engineers volunteered the opinion that federal standards for secondary roads involved excessive costs, and similar sentiments may be found outside Minnesota. The variables of soil, traffic, climate, materials, available funds, topography, and other factors are so numerous and their interrelationships so complex that a conclusive determination of the one best way to build a certain road "for safe, convenient and economical transportation" appears to laymen as beyond the present knowledge of even engineering science.

In recent years, the use of federal (and state) aid has been urged more strongly as a means of bailing out financially hard pressed local governmental units. Thus Hebden and Smith emphasize that "the states, through their highway departments, must accept a larger share of responsibility for major highway improvements in cities," and give as one reason the financial straits of cities. This line of thinking is limited neither to highways nor to cities, and appears to stress the over-all need to see what can be done to assure local units fiscal resources commensurate with their responsibilities.

Highways constitute a major expenditure for most of the units of government concerned. Balancing needs for highway expenditure

against needs for other public services, whether guns or butter, becomes the more essential the greater the demands for tax dollars. The revenues to build highways never were entirely a matter of benefit taxation, and they appear no more likely to be in the foreseeable future.

#### *A Highway or a Transportation Problem?*

THE Hoover Commission found itself confronted with two task force recommendations: one calling for a department of public works, and another, based on Dearing and Owen, *National Transportation Policy*, calling for a department of transportation. The commission, in its final report, rejected the first finding entirely; it watered down the second one by proposing that the major portions of those agencies dealing with transportation be placed in the Department of Commerce. Among the states, we find either highway departments or highway divisions of public works departments.

The highway problem, if there is such a thing as a highway problem alone, becomes increasingly worse from the impact of segmented and disharmonious professional and technical interests. But the *transportation* problem is the sum of all the highway problems plus a lot more.

A myopic approach to the metropolitan highway problem is seen in the drive to build bigger and bigger expressways—including tunnels and bridges—and to establish expensive central area parking facilities. Yet where these developments have been carried out, the highway transportation problem has gotten not better but worse. The Regional Plan Association of New York, reporting on the non-subway-riding commuter population, found that the daily commuting population increased from 301,000 in 1930 to 358,000 in 1950. During this 20-year period, the number traveling by rail decreased from 263,000 to 239,000, whereas the number traveling by auto and bus increased from 38,000 to 118,000.

Turning to the San Francisco metropolitan area, we find that a similar trend followed the opening of the San Francisco-Oakland Bay Bridge. In 1937, the first full year of operation, the number of interurban rail and bus passengers was 23 million; the number of private vehicles was less than 9 million. Thirteen years

later, after the East Bay population had increased 50 per cent, the number of interurban rail and bus passengers had dropped to 18 million; the number of private vehicles had climbed to almost 29 million.

While we continue to spend time and money on self-defeating expressways and parking facilities, the mass transportation companies continue to lose money or, at best, break even. And as they lose out to the motorists, who would rather drive expensively than travel in groups economically, the mass transportation companies find themselves in the grips of a downward spiral of declining revenues, curtailed service, increasing fares, and so forth.

These companies, lacking money and the encouragement or support of government agencies that see only a highway problem, offer few attractions to their erstwhile and potential customers. It is often just as difficult to park near a commuter station in the suburbs as in the urban center and the prize is likely to be the right to stand up in the aisle. Flexibility of motor transport, be it a passenger car or a door-to-door movement of freight, is competition that the railroads have not been able to meet, especially in an era when all the emphasis is on solving the transportation problem as if it were a highway problem.

#### *Political Expediency and the Public Interest*

THE well publicized pork-barreling in river and harbor development has distracted attention from the same sort of thing going on in the construction and maintenance of highways. The nation's annual road budget of \$4.25 billion provides many opportunities for building and mending political fences, whether in the procurement of rights-of-way, the purchase of enormous quantities of material and equipment, or the employment of seasonal labor on a noncompetitive basis. Although the \$500 million federal-aid highway fund is divided among the states each year according to formula, all projects are initiated by the states themselves. Because of the great backlog of needed construction, the possibilities for even legitimate projects exceed federal-aid funds. "I know," remarked one Bureau of Public Roads official in commenting on a particular state program, "that Bill [the state highway commissioner] is



putting a lot of road money over in the eastern part of the state, but I also know that his party doesn't get in very often." It is difficult sometimes to equate the public's requirements for an integrated highway network with practices that foster a highway patchwork instead.

There are bound to be many interests other than the strictly political ones in an activity such as transportation that ranks second only to food in terms of total expenditures. During most any state or federal legislative session one is likely to meet representatives of innumerable organizations pressing their views and interests in relation to highways. At this writing the railroads and the farmers want higher truck taxes to take some of the highway burden off the backs of the real-property taxpayers, the automobile manufacturers and the suppliers of construction materials and equipment are pressing for highway development without much regard to methods of financing, and the truckers are seeking higher load limits—30 tons wherever they are still only 20. And the asphalt people have finally triumphed over Portland Cement in the construction of the New Jersey Turnpike.

Today there are technical and professional associations of highway engineers that transcend political boundaries just as do the similar associations of educators, personnel technicians, and social workers. And in highway administration, as in these other fields, we are witnessing some of the unfortunate effects of what once promised to be a wholesome professional development. Local highway engineers defer to or depend on their colleagues in state or federal agencies in matters of financing and programming. If local or state citizens or interest groups object to the proposed location or design of a highway, federal engineers can be invited, as Gomez points out, to testify in support of an engineering plan, but rarely will they testify against one unless subpoenaed. Yet Hebdon and Smith, concentrating on state-city relations, plead for more "mutual understanding," greater delegation of the cities' powers of negotiation to their public works engineers for the sake of "unhampered negotiations," and more authority vested in the engineers to "coordinate" other city agencies, such as planning, traffic, and police. The oft-damned members of city councils, county boards of supervisors, and

state legislatures are going to find it harder and harder to represent all their constituents in the face of increasingly cohesive professional representations.

### *The Highway and the Community*

PLANNERS are losing their hair over the highway problem, especially in large cities, and they have every reason to. They are confronted with a chain reaction that goes something like this: autos make it possible for people to move their families from the uninhabitable cities to the suburbs, the suburbanites driving to work and the truckers servicing the suburbs demand and get better highways, the better highways draw more people to the suburbs, the highways become congested and suburban property values soar, the earlier suburbanites move out to convert more rural areas to suburbs, and again they and others demand better highways—but now the cost is becoming prohibitive and the demands are not met in a measure commensurate with the needs. All this time, more and more suburbanites and ruralites are driving to and from work, making the traffic and parking problems worse for the individuals and businesses that have not moved out, thereby making the city less habitable than it was in the first place, and making more people move to the suburbs.

All communities, large and small alike, have benefited in many ways from the advent of the highway just as earlier communities benefited from the coming of the railroad. But while the modern highway is an artery it is also a boundary. Communities are split apart by four and six lanes of pavement and as many unrelenting streams of passenger cars and trucks. Indeed, where the highway engineers have established limited access thoroughfares, local traffic—pedestrian and vehicular alike—is forcibly excluded. Major streets and highways are proving to be man-made boundaries as effective as mountains and rivers in determining patterns of community living. These patterns are being entrenched by the necessity of districting for schools, libraries, and other community facilities with regard to highway boundaries.

Because auto transportation has opened up even the remotest rural areas for settlement and other uses, new types of problems seem to demand rural zoning. In the absence of zoning

legislation, or the equivalent, it is the responsibility of one or another highway department to maintain highway surfaces at all times for everyone living along the right-of-way. In order to avoid some of the expense of snow removal alone, New Hampshire town meetings must now decide each year where they will put their "gates and bars," which is a way of saying that they will suspend maintenance, including snow removal, during the winter months. In Minnesota recently, a rural road serving only two resorts needed a new bridge. Under authority of a 1951 statute, which gives counties the power to purchase or condemn land for the purpose of closing county roads, the county bought out the resort owners for \$8,000 rather than spend \$17,000 for a new bridge and assume the continuing burden of maintaining the road and the bridge. Then to preclude any further cases of this sort, the county ploughed up the road and turned it back to forest.

The solution of the highway problem as it relates to community planning is not helped by the insulation of the different professional and technical groups involved. Both Gomez and Hebden decry the lack of teamwork among planners and engineers. The same insulation is evident in the relationships between toll road authorities and local traffic engineers. The toll-roads insist on building turnpikes, bridges, and tunnels where there is sufficient traffic vol-

ume to make them pay. But local officials at the terminals of the toll facilities complain that they cannot cope with existing traffic densities, to say nothing of greater ones.

#### Conclusion

A SERIOUS highway and transportation problem exists for which no one has found a solution that meets with widespread acceptance.

The central engineering tasks of building and maintaining roads and bridges cannot be viewed any longer in terms of simply getting the folks out of the mud. Highway administration is a complex intergovernmental activity encumbered with procedural difficulties that must be ironed out. The equity of the established methods of financing highways, and of the proposed methods as well, is challenged by one group or another, particularly as dollar needs continue to rise beyond all previously anticipated dimensions. It becomes increasingly clear that what is done about highways affects other segments of the transportation picture and significantly determines patterns of community development. It is an almost overwhelming challenge to insure that everyone affected will be properly represented in the formulation of highway policy. That challenge is not being met today.

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#### As Others See Us

We received the impression that it is no exaggeration to say that in educational preparation for public service in the United States, the science of public administration is becoming the core to integrate jurisprudence, political science, sociology, psychology, anthropology, economics, international relations and other social sciences.

—*Report of the Japanese Delegation to the United States of America on University Education for Public Administration* (Tokyo, Japan. September, 1951), p. 10.

## Report of Conference Sessions

### Annual Meeting of the American Society for Public Administration, 1952

**T**HE summaries of the sessions of the annual meeting of the Society, prepared by their secretaries, are reproduced below.

The remarks of the President of the Society, John M. Gaus, in opening the conference are summarized in the following paragraphs.

#### The Program and Our Times

The program of our annual conference is reflective of the changes in and atmosphere of American life most relevant to public administration. Within our borders there has been and continues to be a redistribution of our population from region to region, and within metropolitan regions from the center to the suburbs and outer "rurban" fringe. The effort to solve problems of reconciling area and administration has called into existence new procedures and units of organization, including the cooperation of levels of government and of contiguous jurisdictions. Administration today may be characterized as cross-functional, cross-area, and cross-level. Rural and urban, state and national problems and experience interweave.

This is true also across our borders. The expansion of world government by function and organization continues the same trend, and is accompanied by the overseas activities of our national programs and agencies. Thus the discussion of area and administration and of intergovernmental relationships expands naturally into technical assistance, the management of overseas missions, and the Schuman Plan.

Two world wars and the intervening depression, with the resulting profound institutional changes, have helped to create an atmosphere of tension and conflict. We seem to be in a time comparable to the Hellenistic period and that of the Reformation and Counter Reformation. In the Hellenistic pe-

riod, the city state was being absorbed in the great empires; old and local loyalties were being undermined and dissolved by concepts of universal rights and law. In the sixteenth and seventeenth centuries, the national state was emerging from the medieval institutions, and the issue of sovereignty and of loyalties of governing personnel was an urgent one. Today the challenge to the national state by international organization and parties offers some comparison, and the issues of loyalty, of security, of freedom of communication, and of ethical standards take on fresh urgency.

It may be that, just as out of the Hellenistic period came the Stoic and Christian concepts of basic rights, and out of the days of the Reformation and Counter Reformation came ideas and institutions of toleration and representation, the special challenge to our generation is the invention of procedures that will relieve tensions among peoples of varying cultures and open ways to more creative and peaceful human life. In that endeavor the public administrator has a great opportunity and responsibility, in the reappraisal of present processes and organization and the search for more adequate tools of government.

#### Area and Administration—I

*Chairman*—James W. Fesler, Yale University

*Panel*—Byron Mitchell, Dallas Office, U.S. Bureau of the Budget; Raymond Nottage, Institute of Public Administration, London; Emmette S. Redford, University of Texas

*Secretary*—Frank V. K. Mason, Federal Security Agency

This opening session permitted Mr. Fesler to give a general setting for the conference theme of area and administration and also provided opportunity for a discussion by the panel of field service aspects of the subject.

From a background perspective, the subject of area and administration may be described as consisting of (1) the ecology of administration, or a study of forces as they relate to functions and their environment, and (2) the problem of organizing by function and area.

Area imposes many problems upon administration, as, for example, in metropolitan areas where population spills over artificial city boundaries. The forces of technology, professional specialization in the public service, and improved communications tend to enlarge "natural" administrative areas. These forces have resulted in some shifts of administrative functions from lower to higher levels of government, which can adjust field areas; or to single-function units, like sewage disposal districts.

Administration may be organized by function or by area. Either choice raises problems and requires devices to obtain coordination and cooperation. The choice is sometimes compromised with the establishment of dual lines of control.

In considering field service aspects of the subject, three factors favoring establishment of a federal field organization are: (1) to serve public convenience; (2) to relieve strain and prevent bottlenecks in Washington headquarters; and (3) to further program effectiveness and promote compliance.

Where possible, federal agencies should establish regions with common headquarters cities and common boundaries as an aid to interagency and intergovernmental cooperation. Among other things, existing agencies can help new agencies in setting up their field establishments. Recently established emergency agencies received such help.

A federal field pattern may be multi-program or single-program. The recent Fry Report recommended that multi-program agencies like the Federal Security Agency should use an integrated field establishment. Strong integration in the field requires strong integration at departmental headquarters in Washington. It also requires top-flight, non-political field generalists. The field generalist, moreover, needs a strong field operations spokesman in Washington to plead his case

for greater delegation and to fight his battles with program chiefs.

The panel next considered problems of coordinating federal agencies at the field level. To resolve conflicts between area generalists and functional specialists requires cooperative effort and the use of appropriate social skills in human relations. The obtaining of interagency cooperation and harmony in the field is a serious problem. Neither interagency committees nor the "convenor" technique has proved particularly successful. There is a need to increase university study and research on the problem of obtaining sustained cooperative effort.

Mr. Nottage told his American colleagues that they do not have a monopoly on problems of administration and area—Great Britain has them too. Starting with regionalization of the Post Office in 1937, many British functions have been decentralized. Standard regions were established by the Treasury, but, unfortunately, this action occurred after regional patterns had been established. The current pattern is thus not uniform. There are, for example, fourteen electricity areas and twelve gas areas, but only four railroad and four hospital areas, each radiating from London.

Great Britain's problems in area and administration are perhaps less severe than those in the United States for several reasons: (1) there are only two levels of government, local and national; (2) following World War II some services were transferred from local to national government for greater logic and efficiency; and (3) the British system of Cabinet government fosters interagency coordination and cooperation—"all must get along together or the Government faces the threat of a general election."

During the discussion period the need for field participation in the budget process was advanced. A question was also raised about the effectiveness of carrying out functional programs through fragmented local governments. It was felt that quality would be reduced and that the existence of real "grass-roots" popular control was doubtful.

### Area and Administration—II

*Chairman*—Joseph McLean, Princeton University

*Panel*—Weldon Cooper, University of Virginia; Daniel Grant, Nashville Community Services Commission; Phillips Bradley, Syracuse University; Daniel Bergsma, New Jersey State Department of Health; John E. Bebout, National Municipal League.

*Secretary*—Harry L. Case, Tennessee Valley Authority

Mr. Cooper discussed local administration from the background of his experience in medium-sized cities, emphasizing the importance of being governed by the practical political realities of local situations rather than attempting to solve city-county relationships on the basis of general theory. Mr. Cooper leaned toward the idea of building local government around the county as a basic unit since its boundaries are more firmly fixed than those of the city, which is constantly changing. Similarly, political and cultural loyalties are more firmly established in the direction of the county than of the city.

Mr. Grant described the current study being conducted by the Nashville Community Services Commission of local government problems in the Nashville, Tennessee, metropolitan area. The problems of governmental service in the suburban area of Nashville are extremely complicated. It is premature to predict what the conclusions of the commission will be.

Mr. Bradley described his recent studies of library administration in New York State where the issue is between state financial support for local libraries and a regional library service administered by the state. Mr. Bradley was impressed by the importance of studying carefully the attitudes of local people in reaching conclusions about the preferable form of service. Many plans to deal with local governmental service problems fail because of failure to provide early enough for channels by which community attitudes can be expressed.

Dr. Bergsma described the organization for health services in the state of New Jersey. There is need for consolidation at the local level in order to provide efficient and effective

health service. The local health organization must be adapted carefully to the individual service requirements of the particular communities.

Mr. Bebout underlined the urgent need for giving more careful study to the problems of area and administration. He was less concerned with reliance upon established cultural and political patterns, believing that as the American people become more and more mobile in their living habits these attachments are less real and that people are more ready to accept practical administrative solutions than is commonly believed.

In the ensuing discussion, the chairman raised the question whether functional loyalties might not become as important as political and geographic loyalties in the face of the need for more economical provision of local services. The Atlanta Plan of Improvement may have suggestive value in working out political solutions to the problem of city and county governmental responsibilities.

### Administrative Factors in Resource Development Planning

*Chairman*—Norman I. Wengert, College of the City of New York

*Panel*—Joseph L. Fisher, Council of Economic Advisers; Harrell Mosbaugh, Interior Department Representative, Missouri Basin Inter-Agency Committee; Henry Hart, University of Wisconsin; Howard R. Tolley, The Ford Foundation

*Secretary*—Martha L. Atwood, U.S. Civil Service Commission

Planned development of resources is the foundation for total healthy economic development, said Mr. Wengert in opening the meeting.

Mr. Fisher pointed out that natural resource development is closely related to public and private economic planning; it affects economic life in many ways. Governmental resource development may be expanded during slack periods to help maintain economic stability.

In administering programs of resource development it is important to (1) make sound plans, based on an appraisal of the needs of



people and the potential of existing resources; (2) plan the timing and nature of the program with reference to the total economy; (3) attract able and imaginative administrators; and (4) since technological development affects resource conservation programs, keep arrangements flexible to take account of changes. We still need variety and experimentation in the administration of such programs.

Mr. Wengert remarked that in planning at the department level, constant reference should be made to the over-all mission of the department and to national objectives. The main problem at this level is one of coordination and integration of area and function in resource development activities and plans, both within the department and between the department and other groups conducting related programs. This coordination is needed because of the interrelation of resources, the diverse sources of authority for existing programs, present internal organization by function rather than region, and the highly professional nature of the staff for individual functions. These principles are illustrated in the structure and operations of the Department of the Interior.

Regional planning is a remodeling job rather than an act of creation, said Mr. Mosbaugh. This fact calls for a coordinating device between existing programs within a region. Voluntary interagency committees have answered this need. More experimentation in administration and methods of development is needed. The Wind River Sub-Basin experiment in the Missouri Valley Basin is testing comprehensive planning. Collection of basic data is underway. A single budget for the basin has been of tremendous assistance in coordinating timing and activities.

Mr. Hart pointed out that the fact that resources are situated in the earth's crust has consequences for administration of comprehensive regional plans. Often the natural region for development of one resource may not coincide with the natural region for development of another resource in the area. For example, the area for development of water resources may include only part of the natural area for a mineral's development. How can we outline a "region" suitable for comprehensive

planning? One of the most satisfactory ways to deal with this problem is to keep the regional boundaries flexible but to designate general administrative centers.

People in every region have private interests in resources. Their interests and planning must be coordinated with those of the federal government. How can we plan for the future in terms politically and socially acceptable today? Such planning requires popular understanding of resource development problems, and project authorizations which are flexible enough to permit changing action in response to changing natural conditions.

Mr. Tolley raised the question of how much of the United States system of administration of resource development can be used in other parts of the world. The development of resources in other countries is very closely related to their problems of government administration. Our methods of administration are not transferrable per se. We can be of great service if we will help other countries to *adapt* the administrative lessons we have learned.

The discussion period brought out that local participation in planning for and developing resources can be valuable as a way to create popular understanding, as an aid to the "expert," and as a technique which may be used in other countries to get popular support. In existing projects there is greater need to put present administrative knowledge into effect than to devise new methods of management.

### Management of Overseas Missions

*Chairman*—Edgar Young, Consultant, Bureau of the Budget

*Panel*—Everett Bellows, Mutual Security Agency; Robert Francis, Department of State; Edwin N. Montague, Department of State; Alvin Roseman, Mutual Security Agency; Robert H. Willey, Department of Defense

*Secretary*—Edith K. Mosher

Administration of overseas missions must be carried on so as to support and enhance U. S. foreign policy. This requires an integrated effort at all levels, as well as methods of coordination appropriate to each level: country,

region, and in Washington. The pattern of coordination may vary from area to area and cannot be imposed from Washington or by people who are unfamiliar with field operations. An ambassador must know all the U. S. programs in his area and must possess a high order of managerial skill.

The present U. S. role in foreign affairs demands that we give overseas administrators broad powers, but we have not yet established the necessary administrative traditions or public support. A lesson might be gained from the example of wartime military commanders who are expected to exercise great power and have developed skill and experience in doing so. Legal restrictions, such as that on the purchase of land, continue to irk overseas administrators, and the executive branch may have been too cautious in recommending legislative changes which would permit greater decentralization.

Centralized control should continue in two areas of administration: the budget-making process, with safeguards provided for flexible execution at the operating level; and the evaluation of personnel who have been given, or may be given, wide powers. The help of the psychologists and psychiatrists is greatly needed to develop adequate techniques for selecting and managing overseas personnel. Judgments of an employee's competence cannot be based solely on his technical qualifications, since he, and usually his family as well, must also be able to adjust satisfactorily to the "whole" environment at an overseas post. It is hard to predict or assist in this process on the basis of our present knowledge and methods.

Appropriate standards of living for the large numbers of U. S. personnel now being sent abroad are central to many personal and administrative decisions. Since contacts with foreign populations have become more pervasive, the comforts provided for Americans become widely known and may highlight a great disparity between U. S. and native standards. Foreign relations are obviously impaired if U. S. personnel resort to black market practices to obtain scarce housing or contribute to inflationary spirals by their superior purchasing power. By wrapping themselves in a "cellophane film" of a higher standard of living,

they may find themselves insulated from working with native peoples on mutual objectives. Yet employees have a real and understandable concern about such matters as diet, health, and education for their children and must be given all the facts about problems they will meet overseas.

Means must be found to attract large numbers of high-caliber personnel who will be able to work effectively abroad. Universities need to give training in language, area studies, and social psychology. Management must pay more attention to equipping administrators for overseas posts. No one stream of supply will be sufficient and needs must probably be met by persons on short-term tours of duty, as well as by those in life-time career employment. The nature of the new foreign programs makes possible a different and more varied career in government service, which may include some years overseas. Great emphasis on personnel planning and management overseas is justified, for good management results can be anticipated only from good people.

### Flexibility in the Federal Civil Service

*Chairman*—William F. Howell, International Bank for Reconstruction and Development

*Panel*—Bernard L. Gladieux, The Ford Foundation; Emery E. Olson, University of Southern California; John F. Victory, National Advisory Committee for Aeronautics; Fordyce W. Luikart, United States Civil Service Commission

*Secretary*—Augusta H. Clawson, Federal Civil Defense Administration

Mr. Howell opened the session with a brief description of the background and present work of each speaker.

Mr. Gladieux condemned existing civil service procedures as a "protective cloak to entrenched bureaucracy." Government must operate in a network of rules, regulations, and political demands. Rigidity is a major impediment. Absence of financial inducement and inflexibility contribute to the present situation. Retention of government employees should depend on merit rather than on status and tenure. There should be more effort to dis-

cover executive potentiality, greater latitude for selection by each agency. He suggested (1) placing less reliance on formulas in hiring and firing, more on qualified judgment; (2) abandoning the rule of three to permit an agency to select from all those qualified; (3) devising better ways to confer status on the best temporary employees; (4) revising the process of reduction-in-force to retain the best and eliminate chain bumping which upsets the stability of an entire department; and (5) overhauling dismissal and reinstatement procedures. Agencies must have more discretionary power to dismiss. Negative controls foster mediocrity; imaginative positive action is needed.

In Mr. Olson's opinion personnel administration is probably as good in the government service as in private industry. The problem probably goes deeper than rigidity versus flexibility. The political climate in which a governmental unit operates can be good, making for as much responsibility for good administration as is true in many industries. When citizen interest makes for a good "climate" for personnel operations, regulations and procedures can operate within a framework of policy and control with some assurance of continuity and uniformity of policy. In such a situation repeated negotiations of basic principles can be eliminated. Uniformity may be more important than flexibility in the long run, assuming that general policy can be changed in an orderly way from time to time.

Mr. Victory pointed out that many of the present problems grow out of the international situation. Warfare is becoming more highly technical. Some military sources have proposed a manpower policy under which every able man of appropriate age will enter the armed services irrespective of the critical nature of his civilian work. The No. 1 policy of the nation is the absolute right of the military to call reservists to duty at any time. The Classification Act is good, but Congress insists on setting pay, is slow to adjust to current rates, and loses the best scientific brains to the military. The Civil Service Commission should adopt a more friendly policy by putting itself in the "other fellow's place."

Mr. Luikart pointed out that larger forces, which incidentally helped to mold the Civil

Service Commission, affect the problem of flexibility: (1) public service operates in a fish bowl. Good programs are blunted in the democratic process and end in compromise; (2) the "psychology of normalcy" tends to keep life static, resists change, considers today an "emergency," makes only temporary adjustments, looks for a return to the "good old days"; (3) there is a lag in the adjustment to reality in this "era of bigness." Some of the lag is related to the legal base. The Hoover Commission offered a way to meet the problem of bigness; (4) there is confusion on what flexibility is. Is it good or bad?

### Reorganization Re-examined

*Chairman*—Don K. Price, Department of Defense

*Panel*—James H. Rowe, Jr., Attorney; Harvey C. Mansfield, Ohio State University; Philip Selznick, University of California at Los Angeles.

*Secretary*—Herbert Kaufman, College of the City of New York

The "orthodox" assumptions underlying administrative reorganizations in federal, state, and local governments were sharply challenged by Mr. Rowe. He admitted that with respect to the orthodox theories of administration he had in the past been a "fellow-traveler" with the Brownlow's, Price's, Sayre's, and Gulick's, but he announced he had come to the conclusion that the rules they had taught him, and which he had industriously applied, were not applicable and were even injurious to government. For government today is bigger and worse than it was before the reorganization movement began.

Specifically, Mr. Rowe took issue with the efforts to strengthen executives and their lines of command by means of centralized staff controls. This, he charged, resulted in proliferation of staff agencies, which then demanded so much of the time of line officers that these officials could not do the essential work of their organizations. The federal Bureau of the Budget has failed to give enough time and care to the formulation of vast reorganization plans and to press for essential but controversial ad-

ministrative changes, such as reorganization of the Corps of Engineers and the Bureau of Reclamation. Top staff men tend to hamper the line administrators and to grow more concerned with not jeopardizing their positions than with achievement of effective operation.

Mr. Mansfield stood for the defense, presenting his case in terms of the conditions under which reorganizers function; the goals they seek to attain; and the means they use. The environment of public administration in this country today is characterized by groups in competition using the instruments of government for their own purposes; this he termed "oligopoly." Government has been fragmented, divided into competing groups, each group consisting of a cluster of agencies, congressional committees, and outside interests. In order to balance the freedom of these groups against the possibility of domination by any one, and in order to ensure that the mechanism does not fly apart or cease to function, some central direction and control are necessary. Congress cannot exercise the necessary control over policy if the executive branch is fragmented. These, and our present constitutional framework, rather than some hypothesized but highly unlikely drastic social revolution, must be accepted as the conditions under which organization must be discussed.

As to goals, Mr. Mansfield observed that the protection and promotion of the *general* interest require a government with the power to govern. To that end, we need a better disciplined executive branch and congressional reform, both designed to counteract the atomistic tendencies of our fragmented government.

Mr. Mansfield concluded that the ways of achieving a disciplined executive branch are better managerial controls, including more and better staff agencies for executives. He pointed to the achievements in reorganization of the judiciary, an area where one might expect even less discipline and greater atomism than in the executive branch, as good reason to hope for success in executive reorganization. Therefore, while errors were made in taking excessively large reorganization steps, such as trying all at once to reduce 150 agencies to a handful, and in occasional undue

multiplication of staff agencies, it is not the *direction* in which reorganization is moving that should be criticized but the failure to take things by easy stages.

Mr. Selznick declared that generalizations about organizations cannot be made with any substantial degree of accuracy until we know a good deal more about how organizations operate. He suggested that organizations are natural phenomena, subject to study as such, and offered the theory that they follow a pattern of evolution from a condition of little cohesion to one of greater cohesion. A generalization valid in one stage of development will not necessarily apply in others; our principles should be formulated in terms of the pattern of evolution. For example, centralized control may be necessary in a loosely tied organization, but decentralization may work well when a higher degree of homogeneity of outlook and practice has been achieved. Separate staff units at central headquarters may be needed when the staff function is not widely accepted throughout an organization and requires top-level support, but it may be possible to eliminate central units in favor of small units attached to field installations when the function involved has sufficient acceptance to ensure that these field units will be effective. The answers to such questions of reorganization rest in the last analysis on a recognition of the stage of organizational development of the agencies being studied.

Marshall E. Dimock, in the ensuing discussion, suggested that Mr. Rowe had not been so radical in his departure from the traditional approach to administration as he pretended, but rather had achieved a tighter weaving together of existing threads of thought. Mr. Dimock urged that a "bottom-up" approach to management, built around participation of "action-level" personnel, replace the "top-down" concept which resulted in proliferation of staff agencies. Mr. Selznick took exception to what he said he feared was "a new cookbook rule," and contended that the role of top leadership in shaping organizations and setting their goals needed exploration in various stages of organization development before its function could be defined. Mr. Mansfield added that the stress on participation did not

give sufficient weight to the fact that all the "operating" people in any organization may not be interested in achieving the organization's objective.

Commenting on Mr. Rowe's concern with the number of staff agencies, Herbert Emerich said the problem had not been resolved by private industry, which has a much smaller problem than an organization the size of the U.S. government. He noted that reorganizations have been a means of experimenting with solutions to the problem, and that there is a real need of staff at the top executive level because the burden of work today is killing our chief administrative officers. He urged that staff men be generalists because the use of specialized staff imposed new tasks of coordination on the executive. Professor Studenski advised more interchange of line and staff men as a means of making "the overhead man" and "the man in overalls" better in their jobs, more tolerant of each other, and therefore easier to coordinate.

#### **The Contract as an Administrative Device**

*Chairman*—Robert A. Dahl, Yale University

*Panel*—James R. Newman, Member of the New York Bar; N. McL. Sage, Massachusetts Institute of Technology; Lt. Col. T. F. Walkowicz, Dept. of the Air Force; Fletcher C. Waller, Atomic Energy Commission

*Secretary*—William C. Krumwiede, Department of the Army

Mr. Dahl indicated the panel would confine itself to the contract as "a device for operations and for research and development." He suggested that the contract device may well be a major social invention comparable in importance to the independent regulatory commissions as a technique of public administration. The contract, he suggested, may well become a major tool of the public administrator in the future.

Mr. Waller and Lt. Col. Walkowicz described the use of contracts by their agencies in the field of research and development. Of the 123-124,000 people working for AEC, only 6,000 are federal employees. Expenditures running into hundreds of millions on these con-

tracts illustrate the importance of the contract in public administration even at present.

Decisions to use the contract by these agencies have been based upon such factors as: (1) time: research and development projects are characteristically highly nonrepetitive, fast changing, subject to a high rate of experimental obsolescence. The international situation dictates rapid progress in these areas; therefore, the agencies are forced to seek already existing facilities in private industry; (2) legislation: acts themselves may require an agency "to strengthen free enterprise and promote the national welfare"; the use of contracts has been in keeping with the spirit of legislation; (3) personnel: the government is often unable to recruit the managerial brains and technical know-how capable of performing required projects; (4) flexibility: utilization of the alternatives offered by private industry gives the agency staff a flexibility not possible in a straight governmental operation; (5) training: Mr. Sage pointed out that it takes an average of five years to train a competent research team. He indicated that it would now take the government even more time to do this itself.

Mr. Newman enlivened the discussion by stating that the reasons given for contracting reminded him of the fellow who tried to grasp a sphere twenty feet in diameter; he could neither grab it and hold it firmly, nor could he see its true shape as it slipped from his fingers. He indicated that there have been many gross errors in the use of the contract device by administrators. Among these are: (1) waste: glaring examples of waste have occurred, some important enough to be investigated by Congress; (2) private monopolies: the use of the "blue ribbon boys" of industry means that the contract device may well stimulate the growth of private monopolies; (3) essential governmental controls: the continued expansion in the use of contracts without a strengthening of governmental power in these fields may well create an ultimately disastrous loosening of essential governmental controls.

In the time available to the panel no clear-cut line of demarcation was established on the problem of when and when not to utilize the contract device, nor was there time to discuss



the tools of the public administrator in contract utilization or the impact of the contract on governmental balance, economy, and the like.

The following general conclusions may be drawn from the panel discussion: (1) if the contract device were applied to more areas of government the consequences would probably be tremendous, but they are somewhat indeterminate; (2) the private contract when properly utilized may narrow the gap between government and the people; (3) where national security is involved the contract may be the only means of achieving needed programs quickly, but speed may not necessarily be economical; (4) it is a prime necessity to obtain government personnel capable of evaluating and appraising the quality of managerial and technical staff of contractors, and of judging end results in terms of efficiency, quality of end product (be it experimental or otherwise), and economy.

#### **The Schuman Plan**

*Chairman*—Leo Pasvolksy, The Brookings Institution

*Panel*—George W. Ball, Attorney; Louis Camu, Bank of Brussels

*Secretary*—Laurin L. Henry, University of Chicago

Mr. Pasvolksy introduced the subject by calling attention to the rapid growth of international organizations in recent years. The United Nations, the North Atlantic Treaty Organization, and the Schuman Plan raise administrative problems of a new sort. Study of these organizations and incorporation of their experience into our systematic knowledge will be important tasks for public administration specialists in the next few years.

Speaking from his experience as an adviser to the French government during the preparation of the Schuman Plan, Mr. Ball touched upon the complex political and economic motivations of the plan and discussed the new organizations provided for in the treaty which is now in process of ratification. The immediate objectives are to put the coal and steel industries of Western Europe under inter-

national control and to eliminate barriers to the free flow of these commodities across national boundaries. The treaty establishes an organization with authority to integrate these industries over the entire area in such a way as to permit the most efficient use of resources and facilities and provide equality of treatment and collective security to the participating nations. The plan is a significant departure from other "across the board" efforts at European unity and seeks rapid progress on a "limited but decisive front."

The treaty calls for four new international organs. Administration of the plan will be under a High Authority of nine members who, although named by governments in the first instance, are to be considered international civil servants. The Authority will be responsible to and removable by an Assembly of seventy-eight members in which the participating countries are proportionately represented. The Assembly and Authority are supplemented by a Council of Ministers of the individual countries which will meet intermittently and have powers of decision over matters which clearly have international repercussions beyond the coal and steel industries. Judicial functions will be exercised by a Court of seven members. Each of the six nations will choose one member and these six members will choose the seventh. The Court will interpret the treaty with respect to actions of participating countries and its decisions are binding upon them. Although the Court will be authorized to review acts of the other organs, its jurisdiction is confined to questions of treaty interpretation respecting their powers and procedures, and it is not to substitute its findings of fact and economic decisions for those of the Authority, the Assembly, and the Council.

Mr. Camu stressed the importance of the plan as a step toward European unity but called attention to the difficulty of the decisions that will be necessary to bring unity and order into these industries, which vary greatly from country to country with respect to form of ownership, marketing patterns, cost of production, technological advancement, supply and wages of labor, and reserves of resources.

Although the powers of the various organs

are spelled out in some detail in the treaty, it is silent on many points of interest to administrators. The internal organization and procedures of the Authority, which will probably have a staff of several thousand persons, are not discussed. The Authority will choose its own president and vice president. But will the president function as chief executive? Will the members act always as a group, or will there be some division of responsibility among them? Will the Authority's administrative departments be organized by area (perhaps along national boundaries), or by function? These questions can only be answered by experience. It was agreed that the attitudes and capacities of the initial members of the Authority will be of primary importance in shaping the organization and determining its ultimate success or failure.

### **Intergovernmental Relationships**

*Chairman*—J. Lyle Cunningham, Boise Office, U. S. Bureau of Reclamation

*Panel*—William Anderson, University of Minnesota; Edward W. Weidner, Michigan State College; Joseph W. Rupley, San Francisco Office, U. S. Bureau of the Budget

*Secretary*—Robert W. Powers, Mutual Security Agency

As director and assistant director, respectively, of the Minnesota study of intergovernmental relations, Messrs. Anderson and Weidner were the theoreticians on this panel. Mr. Rupley presented the views of a "practitioner" in intergovernmental relations.

One hundred years ago, said Mr. Anderson, national-state relations were a hot political issue. Today the leadership of the national government in determining the character of intergovernmental relations is generally recognized.

This is not to say that Congress and the President make decisions regarding national-state relations uninfluenced by the states. We still have a "state's rights congress," as witness the decentralization of the U. S. Employment Service. The Council of State Governments and its affiliates keep the states informed of

new developments and coordinate states' plans and activities vis-a-vis the national government.

Leadership in working out patterns of national-state relations has passed from the politicians to the administrators, because the forces of leadership have re-grouped from geographical into functional, professional groups. The individual state, in its relationships with the national government, has lost its unity. Its interests are now represented by a series of separate professional groups such as public health officials, social service workers, tax officials, and law enforcement officers. These administrators have frequent contacts through official channels and through personal and professional associations. The greater the degree of specialization and professionalization, the more successful are the intergovernmental relations in a particular functional field.

Although the professional loyalties of these administrators often exceed their political or geographic loyalties, their successes in intergovernmental relations are tightening the bonds among the states.

In judging what are and what makes for good intergovernmental relations the researcher has to establish a set of criteria, said Mr. Weidner. Intergovernmental relations can be judged in terms of cooperativeness, but it is a subjective determination whether the cooperation is for good or bad ends. Second, these relations can be judged in terms of the accomplishment of the goals of the agency carrying on the intergovernmental relation. Finally, the researcher is apt to evaluate the intergovernmental relation by what it accomplished in terms of his own long-range, over-all objectives. These could include commitments to nineteenth century liberalism as against twentieth century liberalism, decentralization as against centralization, etc.

The Minnesota study is trying to develop criteria of better intergovernmental relations that will be useful to administrators. This can be done, however, only if the administrator will state his particular personal goals and what he expects to accomplish through the proposed intergovernmental relations. These relations are politically oriented, hence we

cannot come to many conclusions without returning to our own political beliefs.

For this reason a National Commission on Intergovernmental Relations could not hope to come up with much that would have general application. A few of the statistically reliable variables developed by the Minnesota study to measure intergovernmental relations are personality, pressure groups, professionalization, organizational structure, level of government, and frequency of contact.

In general, good intergovernmental relationships are found where there are long-standing acquaintances, a high degree of professionalization, frequent contacts, administrators with flexible personalities, organizations adaptable to changing situations, and plenty of time for the yeast of contact and education to work.

In Mr. Rupley's opinion there is real danger in the rapid expansion of governmental functions without parallel development of national policies. The fear is being expressed that we have no system, plan, or purpose in the administration of our federal government. We have no national policy on land, conservation, or water resources. There is great inconsistency in the "federal" administration of national government functions. In addition there has arisen a growing functional-administrative caste, administrative "trade-unions," resulting in politics without political parties.

The current emergency is putting our federalism to a new test. There is a lack of realization in Washington of the need for consideration of the political-geographical units of government and little realization of what they can contribute toward successful intergovernmental relations.

The success of the Pacific Board of Intergovernmental Relations in preparing the West Coast for civil defense, and in discussing and acting on current regional problems, illustrates what can be accomplished by good intergovernmental relations.

Our federal system is changing to meet a new world situation. To make the necessary cooperative effort that it will take to achieve a federal system that has order, unity of plan, and clarity of purpose will require improved vertical communications relating local to national and international problems, and the

development of better social skills in our approach to their solution.

### The Role of Consultants and Advisers

*Chairman*—C. Herman Pritchett, University of Chicago

*Speaker*—Lyman Bryson, Teachers College, Columbia University

*Secretary*—George Z. Anders, Rural Electrification Administration

The function of advice is one of the oldest in human affairs and certain abstract generalizations about it that could have been made in palaeolithic times are still true. Most of those generalizations, however, have not been made and, as far as can be discovered, there is no standard treatise on the techniques and difficulties of trying to put knowledge at the service of power. The right relationship of knowledge and power is one of the key problems of our age.

By reason of training and intellectual habit, scholars, scientists, and experts who move into the world of affairs, on invitation, are capable of seeing clearly the abstract or schematic picture of what goes on and should be helped to do so. They should be able, if called on, to describe the behavior of policy makers, and their assistants, to the policy makers themselves, since administrators are not often given to abstract thought.

A man of action uses intuitions rather than abstractions, even in a society like ours, where skills are so generally explicit and know-how is so much discussed. The man of thought, by contrast, will make a small cosmos out of the smallest experience.

The consultant who accepts an invitation from a policy maker is entering a situation where, after being presented with a description of the problem, his first contact with his employer may cause profound conflict or misunderstanding. If he accepts without question the problem, and the description of the problem which is given by the man of action, he is bound in his functions as adviser to serve all the purposes of the man of action that are implied in it or to make a clear rejection. The question is raised at once. What right has an

adviser to reformulate or to change the problem? The answer is still obscure, but it is evident from experience that each participant in the expert-executive relationship is likely to take it for granted that he has the privilege of naming and describing the problem. The adviser, if not well trained by relevant experience in such matters, will try to go beyond the immediate presentation offered him to what he thinks is an understanding of ulterior policy considerations so that he can help to achieve them. The man of action has much more complicated and less innocent ideas about those ulterior policy matters and may not believe that it is necessary to disclose them.

The fact is observable and inescapable, whatever moral judgment one may insist on passing on it, that the decision-making process is a field of personal ambition and sharp competition in all practical situations, whether business or government.

The consultant or adviser, after agreement as to the nature of the problem, does his work by suggesting alternative courses of action and predicting the consequences to be expected from them. He is giving new dimensions of freedom to the thinking of the administrative group because he is describing for them, and enabling them to entertain in their imaginations, a range of choices they would not otherwise have considered. But when the adviser, by definition not a man of action and therefore assumed to be more concrete in his expectations, is asked to describe alternative choices he is expected also to tell the advantages and disadvantages of each choice.

The expert, then, may have allies and opponents, to both of whom he has become a stake in the power game, but it would not be wise for him to count on simple friendships. His mere existence is a mild slur on the competence of the men he is dealing with, and to whom he is giving the supposed benefit of his superior knowledge.

In a free country, the adviser who is working for the government can appeal to his scholarly colleagues and they can reply not only as specialists but also as part of the general public which in a free country is the locus of free constituencies.

### Public Administration Aspects of Technical Assistance

*Chairman*—H. J. van Mook, United Nations

*Panel*—Walter R. Sharp, Yale University; Harvey Sherman, Department of State; Arnold Miles, U.S. Bureau of the Budget

*Secretaries*—James W. Kelly, Department of State; R. J. Fowle, Federal Security Agency

In opening the discussion Mr. van Mook referred to the scope and complexity of problems in public administration facing many underdeveloped countries. Fifty new nations have been launched in fifteen years of disorganization and administrative complexity, and many older states which now recognize unfilled needs tend to have primitive domestic economies but highly complex international relations. The aims of these governments often exceed the means available to them in their development plans. The concept of technical assistance is one of the greatest developments of the last ten years, but efforts of states to assist other states run into some very real problems.

Mr. Sharp defined the objectives of technical assistance in public administration as (1) the improvement of administrative processes and standards in order to further economic development, and (2) the introduction of methods and values which will contribute to the strengthening of democratic forces. Within the underdeveloped countries, however, many difficulties face the administrator, such as the tremendous variation in the economic, social, and political development of the various countries, the corrupt and/or authoritarian nature of some of the governments, and the element of sensitivity to outside influences, particularly in fields such as public administration.

In countries providing technical assistance serious problems also exist. The recruitment of competent personnel is the biggest single problem, and there is similarly a shortage of material for demonstration and teaching purposes. There is, moreover, a lack of knowledge as to what kinds of techniques can be transplanted successfully to underdeveloped countries. The multiplicity of programs and participating agencies calls for effective coordination as well as regional decentralization. And, finally, un-

certainties of financing have caused difficulties.

Among the devices for transplanting standards of public administration to underdeveloped countries are: infiltration in subject-matter fields; comprehensive surveys of needs and possibilities in certain areas (there is a difficult question of whether such surveys are better performed under public or private auspices); long-term field assignment of a single public administration generalist or a team; and training of local personnel for the future. The effectiveness of devices now in use should be appraised. It is important to have patience and perspective in these matters because of the long-term nature of the programs. There is need to strengthen the comparative public administration facilities of our colleges and universities.

Mr. Sherman described the organization and activities of the Technical Cooperation Administration and the role of the participating agencies. He mentioned three ways in which public administration is drawn into technical assistance activities: (1) the public administration aspects of the various substantive fields, (2) overhead management of governmental activities, and (3) technical assistance in the field of governmental services. The developing plan is to assign public administration consultants to work with government officials on the identification of problems and the development of possible solutions. General and specific reconnaissance, a pool of roving administrative technicians, management training projects both in receiving countries and abroad, and special projects designed to meet specific needs are other approaches planned.

Mr. Miles, referring to the charge that governments are sensitive about receiving technical assistance in public administration, said that while certain governmental activities are sensitive, the idea that the whole field is a sensitive area is fallacious. It is quite clear that technical assistance and control of the government are two different things. There is, however, some question as to whether such assistance should be applied bilaterally or multilaterally.

In some public administration fields, such as census-taking or agricultural extension, there is a fairly well-defined doctrine that is

easily transferable or adaptable. In others, such as the coordination of economic planning under a parliamentary government, the doctrine is not well established. In either case, what will work effectively in one country will not necessarily work in another.

Mr. Miles also raised the point that literature on comparative public administration is badly needed and said that government looks to the universities for the development of this field of study.

Mr. van Mook observed that technical assistance programs must be recognized as self-liquidating. In transferring responsibilities to the countries themselves, however, there is a serious problem of locating qualified personnel within the underdeveloped countries.

Other questions brought up in the discussion period related to the dividing line between bilateral and multilateral programs, administrative difficulties resulting from differing conceptions of administration held by experts of various nations, the orientation of experts being sent to the field, and the possibility and feasibility of channeling all technical assistance activities through the UN.

### Administration of the Loyalty and Security Programs

*Chairman*—Ganson Purcell, Attorney

*Panel*—Lawrence V. Meloy, Loyalty Review Board; Leon Wheelless, Department of Defense; Eleanor Bontecou, Attorney; Joseph L. Rauh, Jr., Attorney

*Secretary*—Frances Harriet Williams, Legislative Assistant to Senator Herbert H. Lehman

Mr. Purcell announced that the discussion was to be on the administration of the loyalty and security programs, not on the constitutionality of these programs or whether they were necessary or desirable.

Mr. Meloy described the legislative and administrative history of the various government programs, which have been designed to insure the employment of loyal federal employees. This history began in 1939 with the passage of Section 9A of the Hatch Act. Under the present program, established in 1947 by Executive



Order 9835, the Loyalty Review Board is working to create uniform procedures in the boards of the various agencies.

Mr. Wheelless explained that the present security program in the Department of Defense provides that charges are made in writing; employees are given thirty days in which to answer; an opportunity for a hearing is provided; and the decision of the board is rendered in writing. If the decision is unfavorable, in most instances the employee can still go to the Civil Service Commission for a ruling on whether or not he is eligible for employment in another agency. But he cannot appeal to the Loyalty Review Board. The agency's decision is final. This program was authorized in August, 1950, by Public Law 733.

The other members of the panel gave a critical review of the present administration of the loyalty and security programs. Miss Bontecou stated that while the procedural standards used by the various boards had improved, she thought that (1) the standards for determining loyalty are too vague and subjective; (2) the criteria for the selection of members of agency boards are inadequate; (3) some functions given to these boards are incompatible; and (4) that under the present system employees are unnecessarily harassed, since on the basis of the same set of facts an employee may have to appear before a loyalty board, a security board, or twice before the same type of board when transferring from one agency to another. She urged that people need to feel that they are trusted and said that once a case was settled, it should be settled for good, unless new evidence arises. There also should be more evaluation of available materials before charges are made.

Mr. Rauh suggested that (1) no full field investigation should be made until it had been determined that the derogatory material in the employee's file was significant; (2) an employee facing charges should be permitted to see the entire investigation file, except for information received from undercover agents or informants (if this were done, the right of confrontation could be insured); and (3) once a case was over it should be over, unless new materials were presented that warranted the board reopening a case.

In the discussion period some points in the earlier presentations were clarified. Among these were the following: the shift in the loyalty program from the test of "reasonable grounds" to "reasonable doubt" was a tightening of the program and a return to the standards used by the Civil Service Commission in World War II. Materials found in a full investigation report come from undercover agents, people willing to give testimony only in confidence, people willing to appear before the board and the accused employee, and persons willing to appear before the board but not before the employee. Information from various sources is included as far as possible in the charges, but the only persons the accused employee can cross-examine are those willing to appear. The need for every effort to have the charges identified as to the place, occasion, and time was stressed. It was suggested that questions concerning a person's nonconformity to standards other than loyalty should not be permitted in loyalty hearings. Finally, it was noted that at the request of the President an interdepartmental committee was reviewing the employees' security program in the government.

In closing the session, Mr. Meloy pointed out that of the over four million employees that have been checked for loyalty, some 18,000 have been investigated. Of these 10,000 have been declared eligible for federal employment and only 365 have been removed from the federal payroll.

### Ethics in the Public Service

*Chairman*—Louis Brownlow, Public Administration Clearing House

*Speaker*—T. V. Smith, Syracuse University

*Secretary*—Edwin T. Haeefe, Public Administration Clearing House<sup>1</sup>

How can the public administrator work effectively and purposefully in our age of trouble and tribulation, was the basic question to which Mr. Smith addressed his remarks.

A historical perspective, said Mr. Smith, will

<sup>1</sup> Mr. Haeefe, in transmitting his summary, said: "Paul wrote in his second epistle to the Corinthians . . . the letter killeth, but the spirit giveth life." Defense rests."

show that each age has felt itself beset by that same feeling of anxiety for the future. Such feelings came about in the past, as now, because men's expectations are unlimited and the possibility of their fulfillment is limited. He felt that the public servant who, in general, could dedicate his life to work in a field for which he had been trained and toward a basic purpose which he regarded as noble, could ask nothing further of life.

In that fulfillment of purpose, Mr. Smith continued, it is essential to bring all available facts and experience to bear on soluble problems. This having been done, it is necessary to keep in mind the finiteness of man's ability to solve problems. Large areas remain, in essence, insoluble; they are the predicaments of life. Such predicaments are capable not of solution but only of resolution by compromise, essentially political in character, between two

honest positions, both sincerely and intelligently held.

Mr. Smith acknowledged another area in life which could be neither solved nor resolved; where man's best efforts are not enough. The civil servant should not attempt to draw this burden on to his shoulders, but should take comfort in doing his best work and absolve himself of guilt for that over which he has no control. He may do that not only by seeing the failure in historical perspective, but also by relating his work to those around him and those who are to come after him. He must also, Mr. Smith concluded, cultivate the personal security that a sense of humor brings when it is applied to one's own actions.

And, above all, he must believe in the supreme value of the work that can be done by a devoted man for the betterment of all men.

# Contemporary Topics

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## International Civil Servants

Over 8,000 persons are now employed by the United Nations and the Specialized Agencies. Substantial numbers are also employed by intergovernmental organizations like the Colombo Plan, the Organization of American States, the Council of Europe, the South Pacific and Caribbean Commissions, and NATO. Exclusive of service employees, it may be estimated that between 7,000 and 10,000 people are working in a new category of public service, the international civil service.

Employees of several of these agencies have staff groups and organizations, one of the oldest and best organized being that of the International Labor Organization. To link some of these groups together, the Federation of International Civil Servants' Associations was established by representatives of the staffs of the UN and the Specialized Agencies in January, 1952. Representatives of the American and European headquarters of the UN and Specialized Agencies took part in the meeting which established Geneva, Switzerland, as permanent headquarters for the federation. Archibald Evans of the ILO was elected chairman of the executive committee. The purposes and functions of the federation are to enable the associations to coordinate their policies and activities in order to help attain the aims of the UN: to promote the development of an international civil service; to protect the interests of international civil servants, and, in particular, their status and their conditions of employment in order to attract and retain the most competent staff; and to enable member associations to cooperate in the formulation of coordinated policies. The federation has a council, composed of one member of each association, and a three-man executive committee whose chairman is the chief executive officer of the federation.

## Japanese "1313"

The Japanese equivalent of the Public Administration Clearing House, which held organization meetings in January, is to be known officially as the Japanese Local Self Government Institute. The research directors of the participating organizations, meeting with the executive committee, have drafted a statement of probable future activities of the institute which includes the following:

- a. Bimonthly publication of *Local Self Government News*. This publication includes items of interest to all local governments, items from each of the JLSGI organizations, and items from foreign publications. Publication began in January.
- b. Publication of a *Local Government Year Book*. This annual publication will contain statistics concerning prefectures, cities, and towns and villages. The first issue is scheduled for the fall of 1952.
- c. Preparation of a roster of research specialists in public administration and an inventory of research projects in progress.
- d. Periodic meeting of research directors of the seven organizations in the Japanese Local Self Government Institute, probably bimonthly, to discuss research plans and projects.
- e. Establishment of a research service for particular projects requested by JLSGI organizations and individual governmental units.
- f. Sponsoring of correspondence courses for local government personnel.

George Warp, who was sent to Japan by PACH to assist with the organization of the Japanese Institute (see Summer, 1951, *Review*, p. 214), has returned to his post at the University of Minnesota. Before he left Japan the board of directors of the new institute appointed him an honorary adviser as testimony of their appreciation for his work in their country.

### **Netherlands Universities Institute of Social Studies**

All of the universities of the Netherlands have joined in a cooperative program to establish an Institute of Social Studies which will offer graduate training especially designed for persons who expect to be engaged in research and administration in Southeast Asia.

Opening in October, 1952, the institute will start with a two-year course in public administration especially designed for overseas students. Completion of this course will lead to a Master's degree in public administration. Shorter courses in public administration will be offered to experienced public officials, and others will be open to foreign and Dutch students appointed as technical experts in countries outside Europe who desire special knowledge of the social and cultural conditions of the areas where they are to work. A six-month course, also in public administration, will open early in 1953, and a six-week course on Asiatic, African, and other non-European cultures will start in April, 1953.

The institute, to be housed in The Hague, in a palace donated by Queen Juliana, will be a residential school, with a library, reading room, and recreational facilities, so that students of widely varying cultures and backgrounds will be able to work, study, and enjoy social activities together.

The teaching staff will be drawn from Dutch universities, with the addition of visiting professors from other countries. Instruction will be in English.

### **New Middle Eastern Center for U. S. Agencies**

Beirut is becoming the regional center for United States government agencies dealing with Middle Eastern affairs. The regional offices of the Civil Aeronautics Authority and of the Treasury Department, the office of the petroleum attaché for the area, and the Technical Cooperation Administration office for the Arab states and Israel are moving to or have already established themselves in Beirut.

In addition to American agencies, the UN Relief and Works Agency is also headquartered in Beirut. This agency, directed by John B. Blandford, is by far the largest UN Middle

Eastern operation, having a three-year \$250,000,000 program—\$50 million for relief and \$200 million for the reintegration of Arab refugees from Palestine.

### **Cousin Colleges**

An effective, economical way to assist underdeveloped areas is by strengthening native teaching and research institutions so that local experts may be developed at home, adapting theories and techniques from other regions to local conditions. Private groups have a long tradition of thus reinforcing native educational institutions—for example, the Near Eastern College Association, the United Boards for Christian Colleges in China, the Rockefeller-sponsored Peking Union Medical College, and many others.

A number of new developments are taking place in this field, in some instances with government assistance. The Department of State recently announced an agreement with Colombia for long-term cooperation between two Colombian agricultural colleges, in Medellin and in Palmira, and Michigan State College, with the assistance of the U.S. Departments of State and Agriculture. Seven Michigan State staff members, with their families, are now in Colombia working with local staffs to develop stronger curriculums, strengthen subject-matter departments, teach, and work in experiment stations.

Among other "cousin college" arrangements are programs either planned or in operation among the following groups of institutions: Washington University, St. Louis, and two medical colleges in Bangkok, Thailand; University of Michigan and the University of the Philippines, in the field of public administration; Michigan State and the University of the Ryukyus, including some work in public administration; the University of Illinois and the Allahabad Agricultural Institute, India; Cornell Agricultural College and the University of the Philippines; and the University of Southern California and the University of Ankara.

### **International Committee for Scientific Management**

Louis Cornil, president since July, 1951, of the International Committee for Scientific

Management (Comité International de l'Organisation Scientifique), died in Brussels on January 31, 1952, after a four-month illness. Mr. Cornil, who was head of the Federation of Belgium Industries, was internationally known as an engineer, industrialist, and civil servant.

Direction of the committee has been delegated to Harold B. Maynard, U.S. representative to CIOS and senior deputy-president, who has long been active in the organization. He will be assisted by Dr. Moacyr E. Alvaro of Brazil and E. Hans Mahler of Switzerland.

Dates for the Xth International Management Congress, to be held in Sao Paulo, Brazil, have been established by CIOS as February 20-25, 1954.

### Special Training for Federal Employees

President Truman recommended in his Budget Message this year that federal agencies be permitted to finance the training of a small number of their scientific, technical, and administrative employees in order to increase their efficiency. S. 2987, a bill embodying the details of such a plan, was introduced on April 8 by Senator Johnston of South Carolina, but no action has been taken to bring it to the floor of the Senate.

Outside the government, however, an experiment with this type of program has been made possible through a grant of \$250,000 made by John D. Rockefeller, 3d, to be used for awards to civilian employees of the federal government to enable them to take time out for special training.

The awards will be made annually for a period of approximately five years. Grants will be sufficient to enable the recipient to spend not less than six nor more than twelve months in residence at any college or university in the United States or abroad, or in some comparable activity such as educational travel. Candidates for the awards will be nominated by government officials on the basis of outstanding service, intellectual maturity, leadership, character, and competence; they must have shown a sincere interest in public service as a career and a particular promise of future usefulness to the government.

The program is to be administered by the Woodrow Wilson School of Public and Inter-

national Affairs of Princeton, under the personal supervision of President Dodds in consultation with Dr. Dana Gardner Munro, director of the school, and Dr. Donald Holmes Wallace, who came to Princeton to direct the school's new program of graduate study inaugurated in 1948.

### Federal Administrator Test Results

An evaluation of the success of the competition conducted a year ago among federal employees at Grade 12 (\$6,400) and above has been completed by members of the Civil Service Commission staff.

Special interest attached to this examination, designed to help the expanding defense agencies locate needed executive talent, because it marked the commission's first use of multiple-choice tests on a widespread scale for the selection of personnel at such high levels and because it was the first case of a governmentwide promotion competition.

The examination was announced in March, 1951; given in April; and the results were made available to the interested agencies at the end of May. Of 4,700 employees taking the examination, 1,300 rated sufficiently high to be included in the group whose names and personal histories were referred to defense agencies.

The percentage of placements resulting from the examination was relatively small but this appears to have been due, in a considerable degree, to a lessening of the extent of the emergency and a consequent slowing down of the mobilization organization. In spite of the speed with which the commission acted—and agency reaction was uniformly enthusiastic on this point—by the time the lists were available for review a budget freeze had halted appointments in most agencies and in some cases lay-offs were being made.

On the basis of replies to questionnaires sent to the top 13 per cent of the persons taking the examination who were not employed in defense agencies at the time, it was found that 9 per cent received defense jobs as a result of their referral by the commission. Another 7 per cent reported that they had received definite offers but did not accept them. An additional group of approximately 30 per cent had



been interviewed as a result of their success but had not received any offer.

Agency officials interviewed on the value of the examination indicated that in a number of cases the test served to call attention to the special capabilities of persons already in their employ who were not being used at full capacity. One large defense agency reported that the rate of promotions for those on the list was twice as great as for those not on the list.

Preparation of the federal administrator examination was facilitated by research which has been under way in the commission's test development section for a number of years. The research results of this group have been used for the JMA examinations given in recent years to college graduates and for internal selection and executive development programs in a number of the federal agencies. At the request of the Department of Defense, a monograph describing the methods which have been developed for selecting executives has been prepared and will be published soon by the American Management Association.

#### **Stockberger Award**

Gordon R. Clapp, chairman of the board of the Tennessee Valley Authority, is the winner of the 1951 Stockberger Award which is given by the Society for Personnel Administration each year for distinguished service in public or private personnel administration.

As personnel director of the TVA in its early years, Mr. Clapp played an important part in developing the personnel policies which earned for the authority a worldwide reputation for outstanding personnel administration and employee relations. He has written many articles on administration and was chairman of the committee which prepared the book *Employee Relations in the Public Service*, published by the Civil Service Assembly.

This is the fourth year of the Society's Awards Program. Previous awards have gone to Arthur S. Flemming, Ismar Baruch, and Frederick M. Davenport.

#### **Areas Personnel Studies**

The Office of Defense Mobilization has set up the following committees to study and report on the country's needs and resources for

developing personnel with specialized knowledge of the culture and language of various world areas:

(1) A permanent interagency working committee, chaired by Ross Pollock of the Civil Service Commission, to survey the government's area and language personnel needs and to recommend appropriate action regarding the training, recruitment, and assignment of such specialists throughout the federal service. Membership of this committee consists of representatives of the Departments of Defense, State, and Labor; National Security Resources Board; Mutual Security Agency; Central Intelligence Agency; National Science Foundation; Federal Security Agency; and Library of Congress.

(2) A special committee to survey the aggregate area and language personnel requirements and resources of the country. Representatives of industry, government, educational institutions, and certain professional organizations will serve on this special committee which is chaired by President Leonard Carmichael of Tufts College.

By pooling all available information regarding anticipated needs and matching this against the probable resources of the colleges and universities, these committees will attempt to insure the most effective utilization of the manpower available, reduce the amount of competitive recruiting in overlapping areas, and discourage shortsighted "raiding" of faculty members who are needed on the job to train oncoming potential applicants.

#### **Joint Accounting Project**

A third annual report of progress under the joint program to improve accounting in the federal government has been issued by the comptroller general on behalf of the General Accounting Office, Treasury Department, and Bureau of the Budget.

Part I of the report describes the general pattern of accounting improvement taking place under this program, initiated in 1947, which represents the united effort of the three central fiscal agencies working in cooperation with the other agencies of the government to develop an integrated pattern of accounting

and financial planning for the government's operations. Specific accomplishments described in this section of the report include: (1) reduction in central accounting requirements, resulting in the elimination of 300 jobs in the GAO; (2) increased emphasis on agency accounting and internal control and expanded use by the GAO of comprehensive and other audits at the site of agency operations, making it unnecessary for agencies to send vouchers and related documents to the GAO in Washington; (3) simplification of fiscal procedures to reduce time lag in making funds available to disbursing officers; and (4) revision of budget regulations to facilitate business-type presentations in the budget document.

Part II of the report reflects the increasing extent to which the individual agencies are assuming responsibility under the program for initiating and carrying through improvements in their own systems of accounting and internal control. This part of the report consists of a summary of accounting developments which have taken place during 1951 in the departments and agencies that illustrate the practical accomplishments which are resulting from the program.

#### **New Accountants' Organization**

An outgrowth of the wide interest throughout the federal government in the joint program to improve accounting is the organization of the Federal Government Accountants' Association. Membership is open to professionally qualified accountants in the federal government. The program of the association is to raise the standards of accountants and accounting in government service.

Early in January the association sponsored an all-day symposium on the subject of internal control, open to accounting, budget, and management officials from all branches of the government. Over 900 persons attended.

#### **User Charges Report**

Replies received by the Bureau of the Budget to its questionnaire on the extent to which government agencies charge fees for special services rendered (see Summer, 1951, *Review*, p. 219) indicate that this practice is on the increase. In its report to the House Ways and

Means Committee the bureau enumerated more than eighty-five fields in which fees had been instituted or increased during the fiscal year 1951. Services for which charges were being made included such items as financial and traffic reports; air line maps and statistics and surveys of the Civil Aeronautics Board; notices by the Post Office of undelivered mail and mail held for postage; Navy ship plans for model builders; and special Weather Bureau reports.

The Bureau of the Budget found that there were about fifty types of special services where fees were nonexistent or inadequate but could not be changed except by congressional action.

The report estimated that approximately \$48,000,000 could be shifted from the general taxpayer to the specific user in fiscal 1953 provided existing charges are continued and legislative action is taken to authorize others recommended.

#### **Overlapping Taxes**

Two recent statements on the subject of overlapping and duplicating taxes support the view that this problem cannot be solved by earmarking certain revenue sources for federal, state, or local use.

*Federal-State-Local Tax Coordination*, a study prepared by the Tax Advisory Staff of the Treasury Department to bring up to date information supplied previously upon request to the Committee on Ways and Means (S. Doc. No. 69, 78th Cong., 1st sess., 1943), does not undertake to make policy recommendations. However, after reviewing the major developments relating to intergovernmental tax problems from 1930 through the present defense period, this report ventures to suggest that "the mere overlapping use of tax sources of itself is not the central problem and is not necessarily undesirable. The subject is more concerned with . . . the adaptability of the structure to the varying needs of different government units."

A similar point of view was expressed in a statement filed with the federal, state, local tax coordination subcommittee of the House Ways and Means Committee on behalf of the Council of State Governments, the National Association of County Officials, the American Municipal Association, and the United States

Conference of Mayors. Specifically, this group recommended congressional action in this session to establish a national commission on intergovernmental relations as provided in S. 1146, one of the group of measures introduced on Income Tax Day a year ago at the instigation of the Committee for the Hoover Report. S. 1146 passed the Senate on the consent calendar during the first session but was recalled at the request of Senator Ellender. Subsequent to the meeting noted above, an identical proposal has been introduced in the House (HR. 7130).

### Interstate Compacts

Use of the interstate compact for civil defense arrangements has been facilitated by congressional action which allows these compacts to become effective automatically within sixty days after their submission to Congress provided no action is taken to disapprove them.

Technically, all other interstate compacts are subject to the constitutional provision that "No State shall, without the consent of Congress . . . enter into any agreement or compact with another State. . . ." However, since the main purposes of a proposed compact are to a large extent generally achieved in the agreement of the participants upon a draft and its ratification by their state legislatures preparatory to asking for congressional approval, this limitation is nominal.

As a case in point, the Southern Regional Education Compact, which has been effective since 1948, has never been approved by Congress. Nevertheless, the cooperative program contemplated by the fourteen member states, which provides for exchange of facilities for medical, dental, veterinary, and social work training, is being carried out on a contract basis among the states under the direction of a regional board of control.

A similar plan, linking eleven western states and Alaska and Hawaii, became effective in 1951 for the five states whose legislatures had ratified it, although congressional approval had not been given.

Until 1934 the compact clause was the basis for interstate compacts primarily concerned with boundary disputes, the construction of interstate public services, and the allocation of

the waters of several western rivers. Since then, however, its use has been extended to such fields as crime control, pollution abatement, conservation of fisheries resources, recreational development, and the provision of joint educational and institutional services.

The Governors' Conference at Gatlinburg in 1951 took official notice of the fact that important progress in cooperation among the states was being made through use of the interstate compact and adopted a resolution strongly urging "that the Congress take prompt action granting consent to interstate compacts now pending before it, and that in the future there be enacted general consent in advance legislation permitting the States to enter into agreements among themselves in broad fields of action for which the States have primary responsibility under our Federal Constitution."

### Municipal Administration Training

Training materials developed by the Institute of Training in Municipal Administration are getting around the world. The manual, *Municipal Fire Administration*, is being translated into Japanese by the Tokyo Fire Department and will be used as a basic text for in-service training of firemen in cities throughout Japan. This is the result of a visit to "1313" last fall by Fire Chief Takao Shioya of Tokyo. Another of the institute manuals, *Technique of Municipal Administration*, is being translated into Portuguese at the request of the Vargas Foundation in Brazil.

The institute, which is conducted by the International City Managers' Association, has been offering correspondence courses in municipal management for eighteen years. In addition to the two courses indicated above, its schedule includes the following subjects: Municipal Finance Administration, Municipal Recreation Administration, Municipal Personnel Administration, Municipal Police Administration, Local Planning Administration, Municipal Public Works Administration.

Over 35,000 of the Institute's volumes have been sold since it was established in 1934, some 5,000 of them to colleges and universities throughout the country offering pre-entry training courses for students of public ad-

ministration. The textbooks are prepared by men with first-hand experience in the management of municipal activities and are revised at least every five years.

The books are available to individuals as well as to groups but they are probably used most widely for group courses in which the entire staff of a city or a county or a state department trains together. In some instances such courses are financed by the departments; in others, the employees pay for the courses themselves.

A recent opinion of the attorney general of Ohio overruling a thirty-year precedent in that state forbidding Ohio cities to spend city money for training employees. In rendering this opinion the attorney general commented, "a casual examination of these books [the ICMA training manuals] reveals an amazing amount of technical and highly practical information, the study of which would certainly lead to a better training of municipal employees who may be entrusted with the operation and supervision of municipal affairs."

### The "Fringe" Problem

Reports concerning the attempts of metropolitan areas to solve the problem of providing essential services and regulating utilities and land use in rapidly expanding fringe areas bear witness to the complexity of the problem—and to the ingenuity of the citizens and officials concerned.

Atlanta found a solution in the adoption of a far-reaching "plan of improvement" the gist of which is the annexation of densely populated areas adjacent to Atlanta, the reallocation of functions between city and county, and the exclusion of the county from municipal functions. Recognition of the accomplishment of this program which was first approved in 1950 led to the selection of Atlanta as one of the eleven cities to receive the All-American Award of the National Municipal League this year.

A similar proposal for city-county consolidation in the Philadelphia area has been temporarily held up by the Governor's veto of necessary enabling legislation. Since no further action can be taken by the legislature until its 1953 session, members of the city council and

the new mayor are attempting to establish a bipartisan commission to draft consolidation bills for submission to the voters next fall.

Grand Rapids, Michigan, has followed the policy of making contractual arrangements with its fringe areas to provide various services—a plan which a number of cities have used. In Grand Rapids, however, the provision of these services has been tied into a central regional plan and has been used to secure desirable zoning and subdivision controls in the areas served.

### Improving Assessment Administration

Local assessment practices are being modernized and improved all over the country through a variety of statewide programs undertaken jointly by the local communities concerned and the state tax agencies responsible for supervision of the system.

One of the most active programs, now in its third year, is in Kentucky. When this program was set up in 1950, a special local assessment section was set up in the State Department of Revenue, with a small field staff to go out and work with local assessing officers on the spot. Appraisal manuals were prepared and a limited number of pilot revaluation programs were carried out during the first year. By the end of 1951, 42 per cent of the total taxable real estate in the state had been revalued, including complete coverage of five counties.

In Oregon, where a well-organized guidance program has been conducted for several years by the assessment and taxation division of the State Tax Commission, the state legislature last year appropriated \$687,000 for extension of this program. Objective of the new program is a complete reappraisal of all real estate in each county within a ten-year period, coupled with installation of standardized assessment methods.

Legislative action in support of state assistance in this field was also taken last year in Maryland. The legislature there passed an act which directed the State Tax Commission to "prepare and install in each county and in Baltimore City a complete record of properties and system of appraisal aids consisting of property description cards, location maps, land

classification maps, unit valuation maps, records of new construction, sales, building costs and appraisals, together with proper indices and cross-indices."

In Idaho, the Tax Commission has established uniform standards for assessment work throughout the state and directed that standardized appraisal cards be installed in each county, together with a full system of aerial tax maps and uniform property classification schemes. Similar programs of standardization and guidance have been established for varying lengths of time in California, Colorado, Illinois, Iowa, Maine, Minnesota, Nebraska, Virginia, and Washington.

In-service training programs for assessing

officers supplement these state assistance programs in many places. Sometimes the training is offered through statewide institutes conducted by state universities in cooperation with the appropriate state tax agencies and organizations of officials. Sometimes a series of regional or district meetings is set up to cover the state. This second method is used in Kentucky and in Iowa, and officials in both states have indicated their belief that although the smaller meetings put a heavy burden on the training staff they are more effective than the statewide conference because of the greater opportunity they offer for individual participation and for the detailed consideration of specialized problems.



# SOCIETY FINANCIAL STATEMENT

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## AMERICAN SOCIETY FOR PUBLIC ADMINISTRATION, STATEMENT OF INCOME, DISBURSEMENTS, AND BALANCE FOR THE YEAR ENDED DECEMBER 31, 1951

### Earned Income:

#### Memberships and Subscriptions

Senior Members	\$13,427.00
Junior and Student Members	1,854.00
Sustaining Members	619.00
Subscriptions	5,555.75

Total	\$21,455.75
Sales of Journal	893.02
Sales of Reprints	394.64
Journal Advertising	354.63
Miscellaneous Income	143.51
Conference Income	1,050.20
Subvention from Public Administration	
Clearing House	2,900.00

Total Earned Income \$27,191.75

### Disbursements:

#### General Operations

Personal Services	\$12,185.98
Telephone and Telegraph	257.39
Stationery and Supplies	549.67
Furniture and Equipment	4.50
Postage and Express	1,417.69
Mailing Charges	695.52
Printing and Mimeographing	1,557.43
Annual and Other Services	293.06
Accounting Service	540.00
Institutional Memberships	1,352.65
Conference Expense	701.17
Travel Expense	381.67
Building Service Fee	846.00

Total \$20,782.73

### Public Administration Review

Commissions	\$ 34.55
Postage and Express	218.81
Mailing Charges	144.59
Printing	6,032.40
Reprints	498.60

Total \$ 6,928.95

### ASPA Newsletter

Printing and Paper	\$ 841.70
Postage and Mailing	227.77

Total \$ 1,069.47

Total Disbursements \$28,781.15

Deficit \$ 1,589.40

Balance Carried Forward January 1, 1951

Excess of Disbursements over Earned Income, 1951 1,589.40

Balance at December 31, 1951 \$ 8,090.18

Deferred Income (dues paid in 1951 applicable in 1952) 9,223.25

Total Balance and Deferred Income \$17,313.43

### Represented by:

Cash in Banks	\$16,847.82
Petty Cash Fund	25.00
Accounts Receivable	282.00
Clearing Accounts	158.61

Total Cash and Receivables \$17,313.43

## Joseph B. Eastman, *Servant of the People*

CLAUDE MOORE FUESS. Here is proof that the pursuit of truth can be effective in the midst of personal and political pressures. This record of Eastman's twenty-five years with the Interstate Commerce Commission concentrates on his struggle to establish impartial control for the I.C.C. and the limits to which government control and ownership would be feasible. Independent and incorruptible, Eastman, guided in his judgment by his interest in the people, is an object lesson in what the public servant can be.

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